92-2232

A	AMERICAN MEDICAL ELECTRONICS INC	10Q	03-31-92
B	AMERICAN NATIONAL PETROLEUM CO	10Q	03-31-92
C	BANK OF GRANITE CORP	10Q	03-31-92
D	BANKS OF MID-AMERICA INC	10Q	03-31-92
E	BEST LOCK CORP	10Q	03-31-92
F	COMMERCIAL DECAL INC	10Q	03-31-92
G	DIMENSION GROUP INC	10Q	06-30-91
H	ELECTRO-KINETIC SYSTEMS INC	10Q	03-31-92
I	GLADSTONE RESOURCES INC	10Q	03-31-92
J	GREAT EASTERN ENERGY & DEVELOPMENT CORP	10Q	03-31-92
K	IDAHO CO	10Q	06-30-92
L	INFORMATION ANALYSIS INC	10Q	03-31-92
M	ITEX CORP	10Q	04-09-92
N	MARKETING EDUCATIONAL CORP	10Q	03-31-92
O	POINSETT FINANCIAL CORP	10Q	03-31-92
P	RAMEX SYNFUELS INTERNATIONAL INC	10Q	10-31-91
Q	RESERVE PETROLEUM CO	10Q	03-31-92
R	SPECIAL DELIVERY SYSTEMS INC	10Q	03-31-92
S	SPECTRANETICS CORP	10Q	03-31-92
T	STATESMAN GROUP INC	10Q	03-31-92
U	STEPHAN CO	10Q	03-31-92
V	UNITED LEISURE CORP	10Q	06-30-91
W	WILLIAMS (W W) CO	10Q	03-31-92
X	NET/TECH INTERNATIONAL INC	10Q	05-31-92

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URITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

492-2232

FORM 10-Q

(Mark One)

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1992.

or

___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ________ to ________

Commission file number: 0-11758

American Medical Electronics, Inc.
(Exact name of registrant as specified in its charter)

Minnesota	41-1428758
(State or other jurisdiction of incorporation or organization)	(IRS Employer I.D. No.)
250 E. Arapaho Road, Richardson, TX	75081
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 918-8300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes X No___

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 8, 1992
Common Stock - no par value	7,307,102

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PART I--FINANCIAL INFORMATION

AMERICAN MEDICAL ELECTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,110,075	$ 8,112,990
Marketable securities	11,906,934	10,965,060
Accounts receivable (net of allowance for doubtful accounts of $1,175,179 and $1,154,925 in 1992 and 1991, respectively)	6,487,952	6,746,241
Refundable income taxes	269,942	450,957
Inventory	6,619,057	5,814,984
Prepaid expenses and other current assets	1,061,722	882,365
TOTAL CURRENT ASSETS	33,455,682	32,972,597
FURNITURE AND EQUIPMENT	3,300,430	2,892,692
Less allowance for depreciation and amortization	(1,363,979)	(1,232,893)
	1,936,451	1,659,799
INTANGIBLES (net of amortization of $80,[illegible]51 and $255,534 in 1992 and 1991, respectively)	2,150,892	2,154,183
	$37,543,025	$36,786,579
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Note payable and current portion of long-term debt	$ 315,351	$ 195,284
Accounts payable	1,131,229	1,011,667
Accrued expenses	2,114,668	2,530,567
TOTAL CURRENT LIABILITIES	3,561,248	3,737,518
LONG-TERM DEBT	401,443	648,659
SHAREHOLDERS' EQUITY		
Preferred stock, no par value, 10,000,000 shares authorized and unissued	--	--
Common stock, 7,287,477 and 7,261,103 shares issued and outstanding in 1992 and 1991, respectively	31,202,619	31,027,615
Retained earnings	2,377,715	1,372,787
TOTAL SHAREHOLDERS' EQUITY	33,580,334	32,400,402
	$37,543,025	$36,786,579

AMERICAN MEDICAL ELECTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended March 31,	
	1992	1991
Revenues	$ 7,705,253	$ 5,555,783
Cost of Revenues	1,611,590	1,198,890
Gross Profit	6,093,663	4,356,893
Expenses:		
Selling, general and administrative	4,051,265	3,327,743
Research and development	740,485	385,316
Income From Operations	1,301,913	643,834
Other Income (Expense):		
Interest income	248,200	11,747
Interest expense	(29,390)	(54,941)
Income Before Income Taxes and Extraordinary Item	1,520,723	600,640
Provision for income taxes	515,795	188,601
Income Before Extraordinary Item	1,004,928	412,039
Extraordinary Item:		
Tax benefit arising from deduction of prior years' accounting losses	--	17,000
Net Income	$ 1,004,928	$ 429,039
Earnings Per Share:		
Primary		
Income Before Extraordinary Item	$ .13	$ .07
Net Income	.13	.07
Fully diluted		
Income Before Extraordinary Item	.13	.07
Net Income	.13	.07
Weighted average shares outstanding for the period		
Primary	7,925,142	5,981,435
Fully diluted	7,925,142	6,033,905

See Notes to Consolidated Financial Statements

AMERICAN MEDICAL ELECTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31, 1992	1991
Operating Activities		
Net income	$ 1,004,928	$ 429,039
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	211,237	127,003
Provision for losses on accounts receivable	448,694	375,960
Tax benefits from stock option and warrant exercises	110,527	--
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(190,405)	(650,748)
Decrease in refundable income taxes	181,015	--
(Increase) in inventory	(804,073)	(414,243)
(Increase) in prepaid expenses	(179,357)	(197,600)
(Increase) in other assets	(76,860)	(22,954)
Increase in accounts payable	119,562	242,280
(Decrease) in accrued expenses	(415,899)	(972,146)
Net Cash Provided (Used) By Operating Activities	409,369	(1,083,409)
Investing Activities		
Purchase of marketable securities	(941,874)	--
Purchase of furniture and equipment	(407,738)	(438,877)
Net Cash Used In Investing Activities	(1,349,612)	(438,877)
Financing Activities		
Principal payments on bank note and notes payable	(127,149)	(45,229)
Proceeds from sales of common stock	64,477	5,812
Proceeds from bank note	--	500,000
Net Cash Provided (Used) By Financing Activities	(62,672)	460,583
(Decrease) In Cash And Cash Equivalents	(1,002,915)	(1,061,703)
Cash and cash equivalents at beginning of year	8,112,990	1,153,039
Cash and Cash Equivalents At End Of Period	$ 7,110,075	$ 91,336

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AMERICAN MEDICAL ELECTRONICS, INC. AND SUBSIDIARY

For the Quarter Ended March 31, 1992

1. BASIS OF PRESENTATION

The consolidated financial statements consist of the accounts of American Medical Electronics, Inc. and its wholly-owned subsidiary (the "Company"). The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

2. EARNINGS PER SHARE

Earnings per share are computed by dividing the net income for the period by the weighted average number of common shares and, when dilutive, common equivalent shares outstanding during the period.

3. INVENTORY

Inventory consisted of the following as of:

	March 31, 1992	December 31, 1991
Raw materials	$ 1,119,732	$ 972,706
Work-in-process	1,907,286	1,683,369
Finished goods	474,012	449,013
Field inventory	5,200,261	4,486,082
	8,701,291	7,591,170
Less reserve for refurbishment, obsolescence and lost field units	(2,082,234)	(1,776,186)
	$ 6,619,057	$ 5,814,984

4. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consisted of the following as of:

	March 31, 1992	December 31, 1991
Long-term lease obligation, bearing interest rates of 11 1/4% to 11 3/4%, due January 1994	$ 182,083	$ 194,883
Long-term note, net of unamortized discount of $85,289 at March 31, 1992 and $100,940 at December 31, 1991	534,711	649,060
	716,794	843,943
Less current maturities	(315,351)	(195,284)
	$ 401,443	$ 648,659

The Company's $3 million revolving bank line of credit expired on May 2, 1992. There were no borrowings under the line during the three months ended March 31, 1992. The Company's bank has agreed to expand and renew the Company's expired line of credit to a $7 million, two year unsecured line, subject to the negotiation and execution of a definitive loan agreement and the satisfaction of certain other conditions. The line would have an origination fee of .25%, provide for interest, at the Company's option, at the bank's prime rate or 1.75% above rates based on LIBOR or certain certificates of deposit rates, restrict the payment of cash dividends on shares of common stock and prohibit the creation of lines or other encumbrances on assets, and other conditions and covenants to be negotiated as part of the definitive loan agreement.

Interest paid in the three months ended March 31, 1992 and 1991 was $58,369 and $54,941, respectively.

5. SHAREHOLDERS' EQUITY

During the three months ended March 31, 1992, options to purchase 26,374 shares of common stock were exercised for proceeds of $64,477.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Revenues: Revenues for the three months ended March 31, 1992 increased by 39% compared to the same period in 1991 due to increased rentals and average realized price of Spinal-Stim® and revenues from the Company's subsidiary, Levtech, Inc. ("Levtech"), a manufacturer of fixation systems, acquired in June 1991. Spinal-Stim® rentals and average realized price increased by 41% and 6%, respectively, while Levtech contributed revenues of $584,000 for the first quarter of 1992. The Company's Physio-Stim® revenues decreased 8% from the first quarter of 1991 due to fewer product rentals and sales.

Cost of Revenues: Cost of revenues, as a percentage of revenues, decreased slightly in the three months ended March 31, 1992 compared to the same period in 1991. The improvement was primarily the result of improved return rates of rental units that can be refurbished for subsequent rental from patients who have completed treatment.

Selling, General and Administrative: Selling, general and administrative ("SG&A") expenses, as a percentage of revenues, decreased significantly in the three months ended March 31, 1992 compared to the same period in 1991. SG&A expenses increased 22% over the same period last year while revenues increased 39%. The increase in expenses primarily relates to an increase in the number of sales employees to 51 as of March 31, 1992 from 35 at March 31, 1991. In addition, certain other SG&A expenses increased as a result of the percentage increase in revenues.

Research and Development: Research and development expenses increased 92% for the three months ended March 31, 1992 compared to the same period a year ago due primarily to various research projects relating to potential additional applications of the Company's current technology and potential new products to supplement the Company's current product lines. The Company expects its research and development expenditures to continue at levels significantly above 1991 levels for the balance of 1992.

Other Income (Expense). Other income (expense) increased for the three months ended March 31, 1992 compared to the same period a year ago primarily due to income from investment of the net proceeds of the Company's public offering of common stock completed in June 1991.

Income Taxes: The provision for income taxes, as a percentage of income before income taxes and extraordinary item, increased to approximately 34% for the three months ended March 31, 1992 from approximately 31% for the same period in 1991 due primarily to the Company recognizing the benefit of various tax credit carryforwards in 1991. The Company expects a similar effective tax rate for the remainder of 1992.

Liquidity and Capital Resources

The Company's cash and marketable securities position at March 31, 1992 was approximately $19 million.

For the remainder 1992, the Company's primary sources of funds are expected to be cash from operations, and, if available and needed, a $7 million, two year unsecured bank line of credit that the Company's bank has approved subject to the negotiation and execution of a definitive loan agreement satisfaction of certain other conditions. See "Note 4 of Notes to Consolidated Financial Statements". These sources and current cash balances are expected to meet anticipated cash needs for the Company's existing operations.

The Company continually evaluates, and intends to pursue, product and business acquisition opportunities that the Company anticipates will enable it to expand its product lines. If financing is required for a particular acquisition, the Company will consider all forms available to it, including bank or other borrowings, seller financing and sales or exchanges of equity or debt securities. The Company currently has no commitments or agreements with respect to any such acquisition.

The Company plans to implement Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," by the required effective date. Management does not anticipate that its implementation will have a material impact on the Company's consolidated financial statements.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in litigation which is incidental to its business. Although the uncertainties and contingencies of litigation preclude a prediction regarding the outcome of the pending litigation, the Company believes that any liability to the Company that may arise as a result of this litigation will not have a material adverse affect on the Company's financial condition. The Company intends to defend itself against this litigation vigorously.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

There are no exhibits to this Quarterly Report on Form 10-Q.

(b) Reports on Form 8-K

During the quarter for which this report is filed, there were no Current Reports on Form 8-K filed by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE May 14, 1991

American Medical Electronics, Inc.
(Registrant)

Joseph Mooibroek
President and Chief Executive Officer
(Principal Executive Officer)

Wesley E. Johnson, Jr.
Vice President/Finance and Chief Financial Officer
(Principal Financial Officer)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **MARCH 31, 1992**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to _

Commission file number 0-16378

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AMERICAN NATIONAL PETROLEUM COMPANY

(Exact name of registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation or organization)	**76-0355960** (I.R.S. Employer Identification Number)

1717 St. James Place
Suite 200
Houston, Texas 77056
(Address of principal executive offices) (Zip Code)

(713) 961-1770
(Registrant's telephone number including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

Yes _X_ No ___

As of May 13, 1992, the Registrant had 5,840,281 shares of $.01 par value common stock outstanding.

AMERICAN NATIONAL PETROLEUM COMPANY

INDEX TO FORM 10-Q

THREE MONTHS ENDED MARCH 31, 1992 AND 1991

PART I - FINANCIAL INFORMATION

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PART II - OTHER INFORMATION

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AMERICAN NATIONAL PETROLEUM COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)
(In thousands, except share data)

	March 31, 1992	December 31, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,932	$ 14,838
Accounts receivable, net	4,691	4,941
Prepaid expenses and other	296	253
Total current assets	20,919	20,032
Property and equipment, at cost:		
Oil and gas properties being amortized, full cost method of accounting	57,618	56,990
Furniture, fixtures and other equipment	626	610
	58,244	57,600
Accumulated depreciation, depletion and amortization and valuation allowance	(35,597)	(34,904)
	22,647	22,696
Other assets, net	2,913	3,090
Total assets	$ 46,479	$ 45,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,279	$ 1,227
Accrued liabilities and other	3,574	3,667
Total current liabilities	4,853	4,894
Long-term debt	8,800	8,800
Deferred income taxes	1,256	1,256
Other liabilities	98	98
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, $0.01 par value, authorized 30,000,000 shares, issued 5,872,781 shares	58	58
Additional paid-in capital	13,492	13,492
Retained earnings	18,091	17,389
Less cost of treasury stock (32,500 shares)	(169)	(169)
Total stockholders' equity	31,472	30,770
Total liabilities and stockholders' equity	$ 46,479	$ 45,818

The accompanying notes are an integral part of the consolidated financial statements.

AMERICAN NATIONAL PETROLEUM COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	1992	1991
Revenues:		
Oil and gas production	$ 2,299	$ 3,065
Interest income and other income	678	394
Net litigation settlement	—	17,582
	2,977	21,041
Costs and expenses:		
Oil and gas production	873	994
Depreciation, depletion and amortization	693	844
General and administrative	487	575
Interest	260	568
	2,313	2,981
Income before income taxes	664	18,060
Income tax provision	(30)	(4,135)
Net income before share of affiliates' earnings	634	13,925
Equity in earnings of affiliates	68	156
Net income	$ 702	$ 14,081
Earnings per common share:		
Primary	$ 0.12	$ 2.11
Fully diluted	$ 0.12	$ 2.11
Weighted average number of common shares outstanding	5,840	6,685

The accompanying notes are an integral part of the consolidated financial statements.

AMERICAN NATIONAL PETROLEUM COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase in Cash and Cash Equivalents
(Unaudited)
(Thousands)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 702	$ 14,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	693	844
Deferred income tax provision (benefit)	—	72
Equity in net income of affiliates	(68)	(156)
Changes in assets and liabilities:		
Decrease in accounts receivable	250	1,910
(Increase) decrease in prepaid expenses and other	(43)	34
Decrease in other assets	24	4
Increase (decrease) in accounts payable	52	(242)
Increase (decrease) in accrued liabilities and other	(93)	5,077
Net cash provided by operating activities	1,517	21,624
Cash used in investing activities:		
Capital expenditures	(1,084)	(972)
Proceeds from sale of property and equipment	92	—
Dissolution of investment in affiliates	474	—
Cash distributions from Pecos joint venture	95	137
Net cash used in investing activities	(423)	(835)
Cash used in financing activities:		
Repayment of long-term debt	—	(986)
Net cash used in financing activities	—	(986)
Net increase in cash	1,094	19,803
Cash and cash equivalents at beginning of period	14,838	7,551
Cash and cash equivalents at end of period	$ 15,932	$ 27,354
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 229	$ 572
Income taxes	—	—
	$ 229	$ 572

The accompanying notes are an integral part of the consolidated financial statements.

AMERICAN NATIONAL PETROLEUM COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements of American National Petroleum Company (the "Company") included herein are unaudited. In the opinion of management, however, these consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of the interim periods. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of operations for the full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

2. EARNINGS PER COMMON SHARE INFORMATION

Earnings per common share information has been computed based on the weighted average number of common shares and common stock equivalents outstanding during the periods presented, computed by the treasury method. Primary and fully-diluted earnings per common share were approximately the same during the periods presented.

3. STATEMENT OF CASH FLOWS

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Such cash and cash equivalents totalled $15,932,000 at March 31, 1992 ($14,836,000 at December 31, 1991).

4. PECOS PIPELINE & PRODUCING COMPANY

Pecos Pipeline & Producing Company ("Pecos") has a 20% interest in a joint venture which owns a pipeline system in Madison County, Texas. The joint venture agreement requires the joint venture to distribute the net proceeds of the venture on a monthly basis. The Company accounts for its investment in the joint venture by recording the Company's share of the joint venture's cash distributions less the amount of the amortization of its investment.

Amortization of its investment is computed by dividing the current period cash distributions by the total estimated future cash distributions and then multiplying such fraction by the Company's net investment in the joint venture. The Company's investments in the joint venture of $1,725,000 and $1,787,000 as of March 31, 1992 and December 31, 1991, are included in "Other assets, net" on the Company's Consolidated Balance Sheets. The Company's equity in the earnings from the joint venture for Pecos amounted to approximately $62,000 and $60,000 for the three months ended March 31, 1992 and 1991, after a reduction of approximately $62,000 and $60,000, respectively, for the amortization of the Company's investment.

5. LONG-TERM DEBT

Long-term debt consisted of the following (in thousands) at:

	March 31, 1992	December 31, 1991
12.5% Senior Note	$ —	$ —
12.0% Convertible Note	8,800	8,800
	8,800	8,800
Less current maturities of long-term debt	—	—
Total Long-term debt	$ 8,800	$ 8,800

In 1988, the Company entered into a $28,500,000 credit facility composed of a $19,700,000 six year 12.5% Senior Note and a $8,800,000 eight year 12% Convertible Note. The 12.5% Senior Note had a maturity date of May 20, 1994, but the outstanding balance of such note ($7,482,000) was prepaid on October 17, 1991.

The 12% Convertible Note had a maturity date of August 20, 1996, bore interest at 12% per annum and was convertible into the Company's Common Stock at conversion prices of $6.69 and $6.99 per share during each of the years ending September 13, 1992 and 1993, respectively. The Convertible Note could not be prepaid prior to September 13, 1993 without the lender's consent.

On May 4, 1992, the Company prepaid the outstanding principal balance of $8.8 million on the Convertible Note, plus accrued interest of $40,000. The Company also paid a premium of $1.025 million to obtain the lender's consent to the prepayment.

6. DETAILS OF CERTAIN BALANCE SHEET ACCOUNTS (in thousands):

	March 31, 1992	December 31, 1991
Accounts Receivable, net:		
Accounts receivable - trade	$ 4,260	$ 4,597
Less allowance for doubtful accounts	(254)	(311)
Gas balancing	685	655
	$ 4,691	$ 4,941
Accrued liabilities and other:		
Royalty and taxes payable	$ 1,481	$ 1,665
Gas balancing	532	406
State income tax	760	760
Other	801	837
	$ 3,574	$ 3,667

7. TRANSACTIONS WITH AFFILIATES

Heath Petra Resources, Inc.

The Company provides certain management and consulting services from time to time to Heath Petra Resources, Inc. ("Heath Petra"), an affiliated gas marketing company owned 50% by the Company. The Company also helped arrange and guarantees a $5,000,000 line of credit for Heath Petra. The Company is paid for these services as they are rendered, with the amount of compensation negotiated between the parties depending upon the services provided. During the first quarter of 1992 and 1991, the Company recognized income of $10,000 and $75,000, respectively, from Heath Petra for services rendered, which is included in "Interest Income and Other Income" on the Consolidated Statements of Operations.

8. COMMITMENTS AND CONTINGENT LIABILITIES

On September 1, 1989, Heath Petra obtained a $5,000,000 line of credit which is guaranteed by the Company.

9. LEGAL PROCEEDINGS

There are no material pending legal proceedings affecting the Company or its subsidiaries, or any partnership of which it is a General Partner or liquidating trustee, except as follows:

Transcontinental Gas Pipe Line Corporation v. American National Petroleum Company, et al.

In September 1986, the Company, and the Company's affiliated partnership, Oil Investments, Ltd. ("Oil"), filed a lawsuit against Transcontinental Gas Pipe Line Corporation ("Transco") in the District Court of Harris County, Texas. The lawsuit involved alleged contract breaches relating to Transco's failure to take contracted volumes of the Company's gas and improper payments for gas purchased.

On March 5, 1991, after a trial and numerous appeals, the Company and Oil settled the lawsuit in exchange for the payment by Transco of $21 million in cash. In connection with this lawsuit, the Company had recorded as revenues $1.5 million in the 1986 financial statements. Additionally, legal expenses of approximately $300,000 were incurred by the Company through December 31, 1989 and recorded as a receivable. After payments of taxes, legal fees, and other payments, payments to Oil and the collection of the receivables related to this litigation, the Company recognized net income from the settlement of approximately $13.7 million in the first quarter of 1991.

10. CHAPTER 11 PROCEEDINGS OF MAJORITY SHAREHOLDER

On January 17, 1991, the Company's majority shareholder, Ironstone Group, Inc. ("Ironstone"), filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. This action has not had, nor is it expected to have, any effect on the Company's operations. At this time, Ironstone has not determined whether the Plan of Reorganization which it will submit to the Bankruptcy Court will include the sale of its investment in the Company.

When Ironstone purchased 2,096,075 shares of Common Stock of the Company in November 1987, a portion of the purchase price was contingent upon the favorable resolution of two pending lawsuits. Ironstone's contingent obligation was secured by a pledge of the 2,096,075 shares that were purchased. Now that the two lawsuits have been favorably resolved, the former shareholders of the Company have claimed that Ironstone owes them approximately $5.5 million. One of these former shareholders was David G. Eller who is a director of the Company. Mr. Eller transferred his interest in the pledge of these shares to a trust, but remains the agent for the former shareholders with respect to the pledge. The bankruptcy court in which Ironstone's bankruptcy is pending determined that Ironstone could continue voting the 2,096,075 pledged shares, but must give ten days notice to its creditors (with an opportunity for a hearing) of Ironstone's intention to vote such shares for any major corporate changes, such as a merger, dissolution, sale of all assets or the removal of Mr. Eller as a director of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1992 WITH THREE MONTHS ENDED MARCH 31, 1991

REVENUES

Oil and Gas Production

A comparison of sales volumes and average sales prices of oil and gas sold for the three months ended March 31, 1992 and 1991 is as follows:

	Three Months Ended March 31,	
	1992	1991
Sales Volumes		
Crude oil and condensate (Bbls)	47,409	39,214
Natural gas (Mcf)	741,503	1,090,674
Average Sales Price		
Crude oil and condensate (per Bbl)	$18.23	$20.64
Natural gas (per Mcf)	$ 1.89	$ 2.07

Revenues from oil and gas sales decreased by $766,000 (25%) from $3,065,000 during the first quarter of 1991 to $2,299,000 for the first quarter of 1992. This decrease was primarily as a result of decreased sales of gas and lower prices received on natural gas and crude oil. The decrease was partially offset by the increased sales of crude oil in the first quarter of 1992.

Equity in Net Income of Affiliates

The Company's share of earnings from its joint venture regarding the Pocos Pipeline, which is net of the amortization of its investment, is included in "Equity in net income of affiliates" in the Consolidated Statements of Operations and amounted to $62,000 and $60,000 for the first three months of 1992 and 1991, respectively. The Company also recognized $1,000 and $92,000 from Heath Petra for the first three months of 1992 and 1991, respectively.

Litigation Settlement

On March 5, 1991, the Company and an affiliated partnership, Oil Investments, Ltd. ("OII"), settled their lawsuit with Transco in exchange for the payment by Transco of $21 million in cash. In connection with this lawsuit, the Company had recorded as revenues $1.5 million in the 1986 financial statements. Additionally, legal expenses of approximately $300,000 were incurred by the Company through December 31, 1989 and recorded as a receivable. After accrual of legal fees and other payments, payments to OII and the collection of the receivables related to this litigation, the Company recorded net revenues of $17.6 million before taxes. After accrual of $3.9 million of federal income taxes and deferred taxes, the Company recognized $13.7 million of net income after taxes in the first quarter of 1991 for the settlement.

Interest Income and Other Income

Interest income and other income increased by $284,000 from $394,000 for the first quarter of 1991 to $678,000 for the first quarter of 1992 due primarily to a gain of $301,000 realized from the settlement of a litigation matter. Offsetting this increase was a decrease in the management fee recognized from Heath Petra which decreased from $75,000 for the first quarter of 1991 to $10,000 for the first quarter of 1992.

COSTS AND EXPENSES

Oil and gas production costs decreased by $121,000 from $994,000 for the first quarter of 1991 to $873,000 for the first quarter of 1992 due primarily to the decrease of natural gas volumes. The average rate of oil and gas production costs per equivalent Mcf increased from $0.75 per Mcf in the first quarter of 1991 to $0.85 per Mcf in the comparable period of 1992.

Depreciation, depletion and amortization expense decreased by $151,000 from $844,000 for the first quarter of 1991 to $693,000 for the comparable period of 1992 due primarily to lower natural gas volumes in the first quarter of 1992. The average rate of depletion per equivalent Mcf increased from $0.60 per Mcf in the first quarter of 1991 to $0.67 per Mcf in the first quarter of 1992.

General and administrative expenses decreased by $88,000 from $575,000 for the first quarter of 1991 to $487,000 for the first quarter of 1992. The decrease was due primarily to a $100,000 contingent costs accrued in the first quarter of 1991.

The decrease in interest expense of $308,000 from $568,000 for the first quarter of 1991 compared to $260,000 for the first quarter of 1992 is due to higher levels of outstanding debt prevailing during the 1991 period.

The federal income tax provision of $4,135,000 for the three months ended March 31, 1991 is comprised of (i) $3,808,000 which arose from the $17.6 million of net income realized from the Transco litigation settlement in March 1991, (ii) $255,000 which arose from the Company's operations excluding the litigation settlement, and (iii) $72,000 deferred federal income tax.

II. LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992, the Company had working capital of $16,068,000, and cash and cash equivalents totaling $15,932,000. During the three months ended March 31, 1992, net cash flow provided by operations amounted to $1,517,000 while operations provided funds of $21,624,000 for the corresponding quarter in 1991. Approximately $20 million of the net cash flow provided by operations for the three months ended March 31, 1991 was the result of the settlement proceeds received from the settlement of the Company's lawsuit against Transco discussed above. Capital expenditures during first quarter of 1992 totaled $1,084,000, compared to $972,000 for the comparable period in 1991.

On May 4, 1992, the Company prepaid the outstanding principal balance of $8.8 million on the Convertible Note, plus accrued interest of $40,000. The Company also paid a premium of $1.025 million to obtain the lender's consent to the prepayment since the debt could not otherwise be prepaid.

The Company will continue to use its remaining cash holdings of approximately $6 million after the debt prepayment to acquire additional oil and natural gas properties. The Company anticipates that its internally generated cash flow and cash balances on hand will provide it with sufficient liquidity during the remainder of 1992.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN NATIONAL PETROLEUM COMPANY
(Registrant)

By: Michael Y. McGovern
Michael Y. McGovern, President and
Chief Accounting Officer

Date: May 13, 1992

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

C92-2232

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transaction period from ______________ to ______________

Commission file number 0-15956

Bank of Granite Corporation
(Exact name of registrant as specified in its charter)

Delaware	56-1550545
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Post Office Box 128, Granite Falls, N. C.	28630
(Address of principal executive offices)	(Zip Code)

(704) 396-3141
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, $1 par value - 3,768,475 shares outstanding as of May 14, 1992.

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BANK OF GRANTIE CORPORATION AND SUBSIDIARY

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Consolidated Statement of Cash Flows Three Months Ended March 31, 1992 and 1991 5

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Bank of Granite Corporation and Subsidiary
Consolidated Balance Sheets (Unaudited)

	March 31, 1992	December 31, 1991
ASSETS:		
Cash and cash equivalents:		
Cash and due from banks	$ 27,786,971	$ 16,044,690
Federal funds sold	-	1,200,000
Total cash and cash equivalents	27,786,971	17,244,690
Investment securities		
U.S. Treasury	29,533,297	35,055,349
U.S. Government agencies	19,477,929	13,500,498
States and political subdivisions	35,685,474	36,794,859
Other	4,841,047	4,224,894
Total investment securities	89,537,747	89,575,600
Loans	222,232,023	220,358,050
Allowance for possible loan losses	(3,215,079)	(2,990,804)
Net loans	219,016,944	217,367,246
Premises and equipment, net	6,391,732	6,391,577
Accrued interest receivable	3,361,543	3,466,677
Other	1,368,474	1,053,456
TOTAL	$347,463,411	$335,099,246
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Deposits:		
Demand	$ 51,387,294	$ 48,905,850
NOW accounts	32,172,985	32,047,879
Money market accounts	30,897,141	27,709,434
Savings	14,284,652	12,782,799
Time deposits of $100,000 or more	65,462,801	64,196,581
Other time deposits	98,687,183	101,963,371
Total deposits	292,892,056	287,605,914
Federal funds purchased and securities sold under agreement to repurchase	3,252,039	2,327,075
Other borrowed funds	65,346	95,521
Accrued interest payable	1,352,328	1,600,239
Other liabilities	5,853,856	891,938
Total liabilities	303,415,625	292,520,687
SHAREHOLDERS' EQUITY:		
Common stock, $1.00 par value, authorized-10,000,000 shares; issued and outstanding-1992 - 3,768,025; 1991 - 3,766,000	3,768,025	3,766,000
Capital surplus	20,164,404	20,128,253
Retained earnings	20,115,357	18,676,306
Total shareholders' equity	44,047,786	42,570,559
TOTAL	$347,463,411	$335,099,246

See notes to consolidated financial statements.

Bank of Granite Corporation and Subsidiary
Consolidated Statements of Income (Unaudited)

For the Three Months Ended March 31,	1992	1991
INTEREST INCOME:		
Interest and fees on loans	$4,981,617	$5,813,131
Federal funds sold	18,617	43,839
Investments:		
U.S. Treasury	631,788	575,520
U.S. Government agencies	227,543	122,923
States and political subdivisions	582,695	673,028
Other	92,739	122,580
Total interest income	6,534,999	7,351,021
INTEREST EXPENSE:		
Time deposits of $100,000 or more	856,877	1,447,174
Other time and savings deposits	2,042,566	2,525,776
Federal funds purchased and securities sold under agreements to repurchase	37,768	34,351
Other borrowed funds	2,570	5,012
Total interest expense	2,939,781	4,012,313
NET INTEREST INCOME	3,595,218	3,338,708
PROVISION FOR POSSIBLE LOAN LOSSES	255,000	206,785
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	3,340,218	3,131,923
OTHER INCOME:		
Service charges on deposit accounts	670,924	547,011
Other service fees and commissions	243,781	179,658
Other	144,654	49,545
Securities gains (losses)	-	12,426
Total other income	1,059,359	788,640
OTHER EXPENSES:		
Salaries and wages	888,019	781,679
Profit sharing and employee benefits	100,842	174,693
Occupancy expense, net	96,745	70,344
Equipment rentals, depreciation and maintenance	143,303	142,843
Other	597,247	478,572
Total other expenses	1,826,156	1,648,131
INCOME BEFORE INCOME TAXES	2,573,421	2,272,432
INCOME TAXES	720,000	591,050
NET INCOME	$1,853,421	$1,681,382
PER SHARE AMOUNTS:		
Net income	$ .49	$ .45
Cash dividends	$ .11	$ .11
Book value per share	$ 11.69	$ 10.25

See notes to consolidated financial statements.

BANK OF GRANITE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31	1992	1991
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Interest received	$ 6,672,719	$ 7,581,238
Fees and commissions received	1,059,359	776,214
Interest paid	(3,195,692)	(4,164,851)
Cash paid to suppliers and employees	(2,258,391)	(1,212,894)
Income taxes paid	(306,267)	(298,970)
Net cash provided by operating activities	1,971,728	2,680,737
Cash flows from investing activities:		
Proceeds from matured investment securities	8,903,726	4,515,000
Proceeds from sales of investment securities	-	10,377,485
Purchases of investment securities	(4,112,177)	(15,690,004)
Net (increase) decrease in loans	(1,904,698)	3,908,584
Capital expenditures	(121,035)	(255,034)
Net cash (used in) provided by investing activities	2,765,816	2,856,031
Cash flows from financing activities:		
Net increase (decrease) in demand deposits, NOW accounts and savings accounts	7,296,110	(724,101)
Net increase (decrease) in certificates of deposit	(2,009,968)	110,031
Net increase (decrease) in securities sold under agreement to repurchase	924,964	(2,144,215)
Net increase (decrease) in other borrowed funds	(30,175)	77,860
Net proceeds from issuance of common stock	38,176	24,615
Dividends paid	(414,370)	(413,347)
Net cash (used in) provided by financing activities	5,804,737	(3,069,157)
Net increase in cash and cash equivalents	10,542,281	2,467,611
Cash and cash equivalents at beginning of period	17,244,690	15,873,672
Cash and cash equivalents at end of period	$27,786,971	$18,341,283
Reconciliation of net income to net cash provided by operating activities:		
Net Income	$ 1,853,421	$ 1,681,382
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	120,880	120,232
Provision for loan losses	255,000	206,785
Premium amortization (discount accretion), net	32,586	34,820
Gain on sale of investment securities	-	(12,426)
Increase (decrease) in taxes payable	413,733	292,080
(Increase) decrease in accrued interest receivable	105,134	195,397
Decrease in accrued interest payable	(255,911)	(152,538)
Increase in other assets	(315,018)	(320,526)
Increase (decrease) in other liabilities	(238,097)	635,531
Total adjustments	118,307	999,355
Net cash provided by operating activities	$ 1,971,728	$ 2,680,737

See notes to consolidated financial statements.

BANK OF GRANITE CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position of Bank of Granite Corporation and subsidiary as of March 31, 1992 and December 31, 1991, and the results of their operations for the three month period ended March 31, 1992 and 1991, and their cash flows for the three month periods ended March 31, 1992 and 1991.

   The accounting policies followed are set forth in Note 1 to the Corporation's 1991 Annual Report to Shareholders on file with the Securities and Exchange Commission.

   The results of operations for the three month period ended March 31, 1992 are not necessarily indicative of the results expected for the full year.

2. Earnings per share of common stock have been determined based on the weighted average number of common and dilutive common share equivalents outstanding of 3,785,119 and 3,764,171, for the three month periods ended March 31, 1992 and 1991, respectively.

3. During the quarter ended March 31, 1992 the Company incurred liabilities in the amount of $4,112,177 for investment securities purchased but not yet settled.

4. The Common Stock account and Capital Surplus account for December 31, 1991 have been restated to reflect a changed in common stock par value from $5 per share to $1 per share.

5. In the normal course of business there are various commitments and contingent liabilities such as commitments to extend credit, which are not reflected on the financial statements. The unused portion of loan commitments at March 31, 1992 and December 31, 1991 was $38,725,000 and $39,291,000 respectively. Additionally, standby letters of credit of approximately $2,373,000 and $1,763,000 were outstanding at March 31, 1992 and December 31, 1991, respectively. Management does not anticipate any significant losses to result from these transactions.

BANK OF GRANITE CORPORATION AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGES IN FINANCIAL CONDITION
MARCH 31, 1992 COMPARED WITH DECEMBER 31, 1991

Total assets increased $12,364,165 from December 31, 1991 to March 31, 1992. This 3.7% increase in assets is attributable primarily to an increase in cash and cash equivalents of $10,542,281 and an increase in gross loans of $1,873,973. Deposits increased by $5,286,142, or 1.8% primarily due to changes in the Corporation's overall deposit structure, specifically in the areas of demand, savings and money market deposits. Common Stock outstanding increased by 2,025 shares from the exercise of stock options. The company's liquidity remained acceptable on both dates. Loan-to-deposit ratios were 75.88% and 76.62% on March 31, 1992 and December 31, 1991 respectively.

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1992 COMPARED WITH THE SAME PERIOD IN 1991.

Decreases in interest income and expense are primarily attributable to declines in market rates during the period from March 31, 1991 to March 31, 1992.

The provision for loan losses charged to operations is an amount sufficient to bring the allowance for possible loan losses to an estimated balance considered to be adequate to absorb potential losses in the portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, current economic conditions, historical loan loss experience and other risk factors. This evaluation is heavily dependent upon estimates and appraisals which are susceptible to rapid changes because of changing economic conditions and the economic prospects of borrowers. At March 31, 1992 the loan loss reserve was 1.47% of net loans outstanding.

Increases in non-interest expense reflect the Corporation's efforts to restructure its fee schedule to better cover the actual costs of providing the services. Increases in non-interest expense reflect the Corporation's increase cost of salaries, employee benefits, and Federal Deposit Insurance Corporation (FDIC) carried on customer's deposits.

PART II OTHER INFORMATION

ITEM 4 - OTHER INFORMATION

Bank of Granite Corporations's Annual Shareholder Meeting was held on March 23, 1992. Submission of matters to be voted upon resulted inthe following:

1. Member of the Corporation's Board of Directors were re-elected to serve until the next Annual Meeting. They are John A. Forlines, Jr., Charles M. Snipes, Robert E. Cline, Barbara F. Freiman, and Myron L. Moore, Jr. Two new directors, John N. Bray and William F. Howard, III, were elected to serve on the Corporation's Board of Directors until the next Annual Meeting.
2. Shareholders of the Corporation approved the proposal to amend Bank of Granite Corporation's Articles of Incorporation to reduce the Company's Common Stock par value from $5 per share to $1 per share.
3. Shareholders ratified the selection of Deloitte & Touche as the Corporation's independent auditors for the year ending December 31, 1992.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

A) Exhibits
None required

B) Reports on Form 8-K
No reports on Form 8-K have been filed for the quarter ended March 31, 1992.

Items 1, 2, 3, 4 and 5 are inapplicable and are omitted.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto durly authorized.

BANK OF GRANITE CORPORATION
(Registrant)

Date: May 14, 1992

Joe A. Jones,
Vice President and Chief
Financial and Accounting
Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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D92-2232

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITI[illegible] EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 1992

[illegible] S.E.C.
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OR

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to __________

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Commission file Number 0-12709

BANKS OF MID-AMERICA, INC.

(Exact Name of Registrant as specified in its charter)

Delaware	**73-0777678**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

100 North Broadway
Oklahoma City, OK 73102
(Address of principal executive offices)
(Zip Code)

(405) 231-6000
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ___X___ No _________

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 10, 1992
Common Stock	8,804,714

This document is comprised of 22 pages

BANKS OF MID-AMERICA, INC.
FIRST QUARTER REPORT 1992

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FINANCIAL HIGHLIGHTS

Banks of Mid-America, Inc.

	March 31,	
	1992	1991
	(Amounts in thousands, except per share data)	
Three Months Ended		
Total Revenues	$ 45,720	$ 49,105
Net Interest Income	15,795	14,442
Net Income	4,466	1,958
Net Income — Primary and Fully-diluted Per Common Share	.50	.22
At Quarter End		
Loans	$ 764,341	$ 845,479
Earning Assets	1,779,732	1,777,483
Assets	2,237,289	2,230,695
Deposits	1,818,713	1,683,277
Total Shareholders' Investment	164,745	155,698
Book Value Per Common Share	18.71	17.75
Ratios		
Capital Ratios		
Leverage	7.33%	6.91%
Risk-based	16.22	14.45
Rate of Return on		
Average Total Assets	.82	.35
Average Total Shareholders' Investment	10.99	5.10
At Quarter End		
Shares of Common Stock,		
Net of Treasury Stock (in thousands)		
Outstanding	8,805	8,772
Fully-diluted	8,905	8,772

Banks of Mid-America, Inc.

Banks of Mid-America, Inc. and its subsidiaries (the "Company") provide a broad range of banking and financial services to meet the diverse needs of individual and corporate customers in the Oklahoma City and Tulsa metropolitan areas, all of Oklahoma and the Mid-America region. Liberty Bank and Trust Company of Oklahoma City, N.A. ("Liberty Oklahoma City") and Liberty Bank and Trust Company of Tulsa, N.A. ("Liberty Tulsa") are the Company's principal subsidiaries. Liberty Mortgage Company, a subsidiary of Liberty Oklahoma City, engages in mortgage banking activities.

On February 28, 1992 Liberty Oklahoma City and Liberty Tulsa changed their respective names from The Liberty National Bank and Trust Company of Oklahoma City and The First National Bank and Trust Company of Tulsa. Furthermore, the Board of Directors is recommending a change in the name of the holding company as well as a change in domicile for consideration at the annual shareholders' meeting in May, 1992. The proposed name will be Liberty Bancorp, Inc. The Company will become an Oklahoma corporation instead of a Delaware corporation with the change in domicile.

The Company has fourteen full-service banking locations in Oklahoma from which it provides its financial services – downtown, midtown, north central, northwest and southwest Oklahoma City, downtown and southeast Tulsa, south Edmond and downtown and northwest Norman. In addition, it has three limited service detached drive-in facilities in Oklahoma City, Tulsa and Norman. Liberty Mortgage Company conducts residential mortgage operations from the main bank location, two Liberty Oklahoma City branch bank locations in Oklahoma City and one location in Edmond. Liberty Tulsa has a residential mortgage operation in one of its branch banks. Commercial mortgage operations are available at the main bank locations of Liberty Oklahoma City and Liberty Tulsa.

This Financial Review should be read in conjunction with the consolidated financial statements, notes to the financial statements and the supplemental statistical and financial data presented elsewhere in this report.

General Conditions and Performance Summary: First Three Months of 1992 Compared to First Three Months of 1991

For the first three months of 1992, the Company reported net income of $4.5 million or $.50 per common share. This compares to net income of $2.0 million or $.22 per common share for the first three months of 1991. The increase in net income from the first three months of 1991 primarily reflects higher net interest income along with greater mortgage banking income and other noninterest income.

The Company's nonperforming loans at March 31, 1992 were $36.6 million compared to $37.8 million at December 31, 1991 and $35.3 million at March 31, 1991. The decrease since year-end 1991 has primarily been in nonaccrual loans which decreased from $37.0 million to $34.8 million. OREO, net of reserves, decreased to $27.9 million at March 31, 1992, compared to $36.2 million at December 31, 1991, and $57.5 million at March 31, 1991. The decrease in OREO since year-end primarily reflects real estate sales. The Company continues to place a high priority on the reduction of nonperforming assets.

Net Interest Income

On a tax-equivalent basis, net interest income for the first three months of 1992 increased $1.2 million or 8.2% to $16.4 million from $15.2 million for the first three months of 1991. The tax equivalent net interest margin was 3.6% for the first three months of 1992 compared to 3.4% for the same period in 1991. Because of net operating loss carryforwards, the Company does not receive full benefits from tax-exempt assets. For comparative purposes, however, tax-equivalent income and net interest margins are computed using the statutory tax rate of 34%.

Tax-equivalent interest income amounted to $33.6 million for the first three months of 1992 compared to $39.8 million in the same period of 1991. The decreased level of interest income is primarily due to lower interest rates. Average yield on earning assets declined to 7.4% in the first three months of 1992 from 8.8% in the first three months of 1991.

Total interest expense amounted to $17.1 million for the first three months of 1992 compared to $24.6 million for the first three months of 1991. This reduction is a result of the decline in interest rates which have continually decreased for the previous eleven quarters.

Noninterest Income

Noninterest income for the first three months of 1992 increased $2.7 million or 26.7% from the first three months of 1991. Mortgage banking income increased $855 thousand or 79.4% during the first three months of 1992 primarily due to increased service fees as a result of mortgage servicing acquired in the latter half of 1991 and greater gains on sales. Trust fees increased $384 thousand or 10.4%. Securities gains totaled $62 thousand compared to gains of $101 thousand in 1991. Other income increased $989 thousand or 58.5% partially as a result of higher commitment fees, other loan fees, gains from asset sales and other noninterest income.

Noninterest Expense

Noninterest expenses (excluding net costs of operation of OREO, which are discussed separately below in "Provisions for Possible Loan Losses and Net Costs of Other Real Estate and Assets Owned") increased $2.3 million or 10.0% to $24.8 million for the first three months of 1992 compared to $22.6 million for the same period one year ago.

The primary increase was a $2.4 million increase in other noninterest expense which included $839 thousand of additional advertising, primarily related to the Company's bank subsidiaries' name changes, an increase of $423 thousand in amortization of purchased mortgage servicing and an additional $400 thousand in provisions for corporate risk reserves.

Salaries decreased $566 thousand primarily due to provisions made in the first quarter of 1991 for an early retirement program introduced in that period and completed in the second quarter of 1991. This savings was partially offset by a 24.9% increase in the deposit insurance assessment. This increase results from increasing insurance rates passed to banks to restore the depleted funds of the Bank Insurance Fund. It is possible that the Company will be subject to further increases in insurance costs as a result of additional authority granted by the Federal Deposit Insurance Corporation ("FDIC") Improvement Act to the FDIC.

Provision for Income Taxes

The Company recorded $84 thousand in net alternative minimum tax expense in the first three months of 1992. Gross alternative minimum taxes of $1.2 million were offset by an extraordinary item of $1.1 million, representing the utilization of alternative minimum tax net operating loss carryforwards. This compares to net alternative minimum tax expense of $31 thousand for the first three months of 1991 and represents gross alternative minimum taxes of $314 thousand and an extraordinary item of $283 thousand for the same period.

Provisions for Possible Loan Losses and Net Costs of Other Real Estate and Assets Owned

Total provisions for possible losses on loans and other real estate and assets owned amounted to $77 thousand for the first three months of 1992 compared to $732 thousand for the same period of 1991. The components of these provisions are discussed below.

There were no provisions for possible loan losses made in the first quarter of 1992 as opposed to $150 thousand provided in the first three months of 1991. At March 31, 1992, the reserve for possible loan losses amounted to $25.5 million or 3.3% of total loans and 69.8% of nonperforming loans. This compares to $26.0 million (3.1% of total loans and 68.8% of nonperforming loans) at December 31, 1991 and $24.9 million (2.9% of total loans and 70.4% of nonperforming loans) at March 31, 1991. Net charge-offs for the first three months of 1992 amounted to $458 thousand compared to $129 thousand one year ago. Current year charge-offs had been substantially reserved in previous periods, and were primarily in the real estate category.

Provisions for possible losses on OREO amounted to $77 thousand for the first three months of 1992 compared to $582 thousand for the same period of 1991. OREO Charge-offs (which include losses on sales and market write-downs) for the first three months of 1992 amounted to $1.4 million compared to $2.3 million one year ago. Total OREO reserves amounted to $10.1 million (26.6% of gross OREO carrying values) at March 31, 1992, compared to $11.4 million (24.0% of gross OREO carrying values) at December 31, 1991 and $20.4 million (26.2% of gross OREO carrying values) at March 31, 1991.

Other net costs of operation of OREO exclusive of the provision for possible losses on OREO amounted to income of $842 thousand and $734 thousand for the first three months of 1992 and 1991 respectively. Net costs of operation of OREO includes expenses related to the operation of OREO, reduced by operating income generated by and gains from the sale of OREO. Included in net costs of OREO for the three months ended March 31, 1992 are $1.0 million in gains from the disposal of OREO and $401 thousand of income on OREO properties.

The following tables summarize the activity within the consolidated reserve for possible loan losses and the reserve for possible losses on OREO for the first three months of 1992 and 1991.

	Three Months Ended March 31,	
	1992	1991
	(Dollars in thousands)	
Reserve for Possible Loan Losses		
Balance at January 1	$25,988	$24,830
Provisions for possible loan losses	–	150
Net charge-offs	(458)	(129)
Balance at March 31	$25,530	$24,851
Reserve for Possible Losses on Other Real Estate and Assets Owned		
Balance at January 1	$11,447	$22,078
Provisions for possible losses	77	582
Charge-offs	(1,409)	(2,263)
Balance at March 31	$10,115	$20,397

Credit Risk Management

The levels and composition (by type of asset) of consolidated nonperforming loans and OREO for the last five quarters are as follows:

	1992	1991			
	March 31	Dec. 31	Sept. 30	June 30	March 31
	(Dollars in thousands)				
Nonperforming Loans					
Nonaccrual	$ 34,768	$ 37,026	$ 30,120	$ 29,988	$ 31,820
Restructured	–	–	–	–	–
Past due 90 days or more	1,785	750	1,022	3,269	3,470
Total Nonperforming Loans	$ 36,553	$ 37,776	$ 31,142	$ 33,257	$ 35,290
Nonperforming loans as a % of total loans	5.08%	4.44%	3.79%	4.21%	4.17%
Analysis of Nonperforming Loans by Type					
Commercial and other	$ 10,362	$ 8,999	$ 5,481	$ 5,628	$ 5,873
Energy	1,294	1,685	1,738	1,440	1,655
Real estate	6,900	7,921	3,946	5,067	5,112
Real estate – mortgage	12,605	13,378	13,812	14,312	15,097
Correspondent and regional	4,242	4,547	4,928	5,387	5,968
Personal	1,150	1,246	1,237	1,423	1,585
Total Nonperforming Loans	$ 36,553	$ 37,776	$ 31,142	$ 33,257	$ 35,290
Reserve for Possible Loan Losses	$ 25,530	$ 25,988	$ 24,044	$ 24,295	$ 24,851
Reserve for possible loan losses as a % of nonperforming loans	69.84%	68.80%	77.21%	73.05%	70.42%
Other Real Estate and Assets Owned					
Other real estate owned	$ 35,325	$ 43,051	$ 60,990	$ 64,525	$ 72,549
Other assets	2,688	4,576	5,278	4,484	5,372
Total Other Real Estate and Assets Owned	38,013	47,627	66,268	69,009	77,921
Less Reserve for Possible Losses on Other Real Estate and Assets Owned	(10,115)	(11,447)	(17,549)	(19,224)	(20,397)
Other Real Estate and Assets Owned, Net	$ 27,898	$ 36,180	$ 48,719	$ 49,785	$ 57,524
Nonperforming loans and other real estate and assets owned, gross, as a % of					
Total loans and other real estate and assets owned	9.29%	9.51%	10.98%	11.92%	12.26%
Total assets	3.33%	3.43%	3.91%	4.62%	5.08%
Analysis of Other Real Estate and Assets Owned by Type					
Land	$ 19,965	$ 21,773	$ 25,577	$ 28,550	$ 36,121
Commercial – office buildings and motels	6,095	7,541	13,756	13,896	14,078
Commercial – shopping centers	6,938	8,429	15,929	16,393	16,189
Residential – single family	1,569	1,754	1,710	1,752	2,174
Residential – multi-family	134	3,756	3,838	3,934	3,987
Oil and gas properties	475	523	637	654	729
Other	2,837	3,851	4,821	3,830	4,643
Total Other Real Estate and Assets Owned	38,013	47,627	66,268	69,009	77,921
Less Reserve for Possible Losses on OREO/OA	(10,115)	(11,447)	(17,549)	(19,224)	(20,397)
Other Real Estate and Assets Owned, Net	$ 27,898	$ 36,180	$ 48,719	$ 49,785	$ 57,524

- Nonperforming loans decreased by $1.2 million or 3.2% since December 31, 1991 and increased by $1.3 million or 3.6% from one year earlier. Much of the increase from one year ago represents the Company's financing of properties previously held in other real estate and assets owned. Subject to satisfactory payment performance over a six-month to one-year period, these loans are expected to be placed on accrual status.

Net OREO decreased $8.3 million or 22.9% since year-end 1991 and $29.6 million or 51.5% from March 31, 1991. These reductions have primarily been the result of sales.

During 1991 the Comptroller of the Currency provided guidelines to measure the levels of performance of nonaccrual loans. The following table reflects these levels as of March 31, 1992:

	Contractual Balance	Carrying Balance
	(Dollars in thousands)	
Contractually current	$16,207	$17,978
Contractually past due —		
with substantial performance	5,351	6,756
with limited performance	9,175	10,496
with no performance	4,035	4,992
Total nonaccrual loans	$34,768	$40,222

In the above table, substantial performance is defined as loans that have met at least 85% of contractual payments during 1992. Limited performance includes those loans on which any payments have been made during the year. The gross interest income from nonaccrual and restructured loans — had they been performing in accordance with their original terms would have been approximately $757 thousand and $888 thousand for the three months ended March 31, 1992 and 1991, respectively. Payments received on a particular nonaccrual loan are generally applied to any principal balance before interest income is recorded. The amount of interest from these nonaccrual and restructured loans included in interest income was approximately $2 thousand and $137 thousand for the first three months of 1992 and 1991 respectively.

"Potential problem loans" are those loans which, although currently performing, have credit weaknesses such that management has serious doubts as to the borrowers' future ability to comply with present terms, and thus may result in a change to nonperforming status. Management has identified, through internal credit ratings, certain performing loans which demonstrate some deterioration in credit quality and, accordingly, are reviewed more carefully. At March 31, 1992, these loans totalled $10.5 million, compared to $13.3 million at December 31, 1991 and $19.7 million at March 31, 1991. Of these amounts, approximately $1.3 million, $3.7 million and $1.6 million represented letters of credit and unfunded loan commitments at March 31, 1992, December 31, 1991, and March 31, 1991, respectively. Exposure to loss of principal on such loans and commitments was estimated to be approximately $2.1 million at March 31, 1992, $2.5 million at December 31, 1991 and $3.4 million at March 31, 1991, all of which was allocated in the reserve for possible loan losses at the respective dates.

Highly leveraged transactions include bank financing related to corporate buyouts and full business recapitalizations, which financing exceeds $20 million. The Company's bank subsidiaries participate with other banking institutions in transactions which are considered highly leveraged transactions. This category, which has been monitored since 1989, will be phased out during the current year. The Company's bank subsidiaries have committed $7.2 million on these transactions and had outstanding balances related thereto of $1.9 million at March 31, 1992. This compares to commitments of $11.5 million and $21.8 million of which $5.7 million and $7.6 million were outstanding as of year-end 1991 and March 31, 1991 respectively.

Loan concentrations are another important factor in the assessment of risk in the loan portfolio. The percentage composition of the loan portfolio for the last five quarters is reflected in the following table.

	1992	1991			
	March 31	Dec. 31	Sept. 30	June 30	March 31
Commercial	43.2%	46.3%	45.9%	44.9%	45.7%
Energy	7.2	7.1	7.4	7.3	8.1
Real estate	11.8	10.6	11.2	11.0	10.3
Real estate – mortgage	22.3	20.3	19.9	20.4	20.0
Correspondent and regional	2.7	3.4	3.8	4.0	4.0
Personal	12.8	12.3	11.8	12.4	11.9

Asset and Liability Management

A senior management committee, the Asset/Liability Management Committee, has the responsibility for monitoring and coordinating the asset and liability position, interest sensitivity, liquidity and other resource planning strategies of the Company. Part of the asset and liability management process requires the monitoring and evaluation of the liquidity position of the Company to assess changes in reliable funding sources and net liquid assets. This process of matching potentially volatile funds against various forms of balance sheet liquidity provided by normal loan repayments, funds sold, investments and trading account securities is performed at each subsidiary bank and coordinated at the parent level.

One measure of liquidity is the net funds position. This position is the net of the principal sources of asset liquidity (federal funds sold and securities purchased under agreements to resell, interest-bearing deposits at banks and other short-term investments, including term federal funds sold which are classified as loans) less short-term borrowings (federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings). Downstream correspondent banks continued to be principal providers of federal funds to the Company's subsidiary banks.

Net borrowed funds of the Company averaged $46.6 million during the first three months of 1992 compared to a net funds sold position of $9.7 million during the first three months of 1991. The Company had a net borrowed funds position amounting to $29.3 million at March 31, 1992 compared to $38.6 million at March 31, 1991. The increase in the average net borrowed funds position reflects the movement of funds to investment securities.

Sources of short-term asset liquidity averaged $214.8 million during the first three months of 1992 and $385.0 million during the first three months of 1991; and were $172.2 million and $263.9 million at March 31, 1992 and 1991, respectively. In addition, approximately $144.3 million (16.2%) of the Company's securities portfolio matures within one year.

Additional liquidity is available in the form of loans which can be pledged to secure Treasury, Tax and Loan ("TT&L") borrowings and borrowings from the Federal Reserve discount window. A total of approximately $250.9 million of loans and other assets were available for pledging at March 31, 1992, of which $79.0 million was in use at that date to collateralize TT&L borrowings of $52.9 million.

Capital Funds

Equity capital as a percentage of total assets amounted to 7.4% at March 31, 1992 compared to 6.4% and 7.0% at December 31, 1991 and March 31, 1991 respectfully. The leverage ratio, defined as tier 1 capital (see definition below) divided by average adjusted total assets, is designed to limit the amount of leverage a bank can undertake due to the ratio's emphasis on equity or core capital. The Company's leverage ratio was 7.33% on tier 1 capital of $160.6 million at March 31, 1992 compared to 6.96% on $155.5 million at December 31, 1991 and 6.91% on $154.6 million at March 31, 1991. The risk-based capital ratio, defined as total capital (tier 1 plus tier 2 capital) divided by risk-weighted assets, is the regulators' primary determinant of capital adequacy and was designed principally as a measure of credit risk. Banking organizations are being given until this year-end to achieve compliance with the risk-based capital ratio requirements of 8%. Tier 1 capital includes common equity and noncumulative preferred stock minus intangible assets. Tier 2 capital includes supplementary elements such as limited amounts of reserves for possible loan losses, perpetual preferred stock, subordinated debt and other items.

The Company had a risk-based capital ratio at March 31, 1992 of 16.22%. This compares to 14.42% at December 31, 1991 and 14.45% at March 31, 1991. Liberty Oklahoma City and Liberty Tulsa had risk-based capital ratios at March 31, 1992 of 14.29% and 17.67%, respectively.

Regulatory Matters

Liberty Oklahoma City and Liberty Tulsa continue to operate under separate administrative agreements with the Office of the Comptroller of the Currency ("Comptroller") issued in 1984. These agreements were described in detail in the 1991 Annual Report to Shareholders.

Liberty Oklahoma City is required under its agreement to maintain a primary capital-to-average assets ratio "in excess of 6%". At March 31, 1992, Liberty Oklahoma City had a primary capital-to-first quarter average assets ratio of 7.67%. In the third quarter of 1991, in recognition of the bank's improved condition, the Comptroller amended Liberty Tulsa's agreement to a less restrictive requirement restated to reflect the new risk-based capital requirements. Liberty Tulsa is required to maintain a tier 1 capital-to-risk- weighted assets ratio of 9% and a tier 1 capital-to-average adjusted total assets ratio of 4.5%. At March 31, 1992, Liberty Tulsa exceeded both the requirements with respective ratios of 16.42% and 7.19%. Management fully intends to continue to take such actions as are necessary to maintain full compliance with the continuing aspects of the administrative agreements.

Parent Company Funding Sources and Dividends

At March 31, 1992, the parent company had cash and interest-bearing deposits of $10.3 million compared to $8.2 million at year-end 1991 and $7.7 million at March 31, 1991. The primary changes in the funding position of the parent company are due to sales of other real estate owned, mortgage loan payoffs and investment dividends received during the first quarter of 1992. The parent company also redeemed its long-term installment notes in April, 1992 at a cost of $1.9 million. The parent company uses these liquid sources, earnings, retained rights to gains from mortgage servicing or other assets and funds provided by the subsidiary banks, to fund its operating expenses and to service its remaining debt. Funds provided by the subsidiary banks have generally been provided by management fees. While it is legally permissible (with regulatory approval) for both Liberty Oklahoma City and Liberty Tulsa to begin paying dividends during 1992, no such dividends are expected in the near term. However, the parent Company's current liquidity and cash sources are anticipated to be adequate to meet its obligations in the near term.

Cash dividends on the Company's common stock were suspended beginning in the first quarter of 1986 and are not anticipated to be paid until the Company's profitability is substantially improved and the payment of such dividends is in compliance with all applicable regulatory requirements and policies.

Summary of Income
(Dollars in thousands, except per share data)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest Income (1)					
Loans	$15,277	$16,179	$16,808	$17,458	$19,626
Investment securities					
Taxable	15,303	15,090	13,684	14,140	13,983
Nontaxable	1,197	1,201	1,167	1,160	1,179
Trading account securities	117	112	143	117	165
Total securities	16,617	16,403	14,994	15,417	15,327
Funds sold and other	1,699	3,147	3,969	3,308	4,832
Total Interest Income (1)	**33,593**	**35,729**	**35,771**	**36,183**	**39,785**
Interest Expense					
Savings and money market accounts	4,541	5,626	5,816	5,402	5,253
Other time deposits	9,927	12,187	12,472	12,414	13,455
Short-term indebtedness	2,428	3,360	3,230	3,637	5,593
Long-term indebtedness	222	228	247	250	252
Total Interest Expense	**17,118**	**21,401**	**21,765**	**21,703**	**24,553**
Net Interest Income (1)	**16,475**	**14,328**	**14,006**	**14,480**	**15,232**
Tax-equivalent adjustment	680	686	707	740	790
Net Interest Income	**15,795**	**13,642**	**13,299**	**13,740**	**14,442**
Provision for possible loan losses	–	1,998	–	104	150
Noninterest income	12,807	11,877	11,116	10,797	10,110
Noninterest expenses	24,052	22,604	22,870	23,000	22,413
Income before income taxes	4,550	917	1,545	1,433	1,989
Provision for income taxes	1,191	118	259	234	314
Income before extraordinary item	3,359	799	1,286	1,199	1,675
Extraordinary item, net of taxes	1,107	106	190	253	283
Net Income	**$ 4,466**	**$ 905**	**$ 1,476**	**$ 1,452**	**$ 1,958**
Per Common Share					
Income before extraordinary item – primary and fully-diluted	$ .38	$ .09	$ .15	$ .14	$ .19
Net income – primary and fully-diluted	.50	.10	.17	.17	.22
Cash dividends declared	–	–	–	–	–

(1) Tax-equivalent at the statutory rate – 34% in 1992 and 1991.

FINANCIAL STATISTICS (continued)

Average Balance Sheets
(Dollars in thousands)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Assets					
Loans	$ 762,538	$ 760,198	$ 727,471	$ 747,499	$ 808,830
Investment securities					
Taxable	826,676	769,645	668,469	682,635	661,774
Nontaxable	54,960	56,042	56,853	57,045	58,038
Trading account securities	7,082	6,972	7,655	6,618	8,256
Total Securities	888,718	832,659	732,977	746,298	728,068
Funds sold and other	166,322	254,837	275,541	225,178	304,482
Total Earning Assets	**1,817,578**	**1,847,694**	**1,735,989**	**1,718,975**	**1,841,380**
Reserve for possible loan losses	(25,842)	(24,284)	(24,227)	(24,591)	(24,785)
Cash and due from banks (noninterest-bearing)	268,970	267,224	239,217	242,845	266,525
Other real estate and assets owned, net	31,923	39,876	48,824	55,124	62,126
Other assets	102,608	107,604	96,991	92,543	92,816
Total Assets	**$2,195,237**	**$2,238,114**	**$2,096,794**	**$2,084,896**	**$2,238,062**
Liabilities and Shareholders' Investment					
Demand deposits	$ 536,310	$ 538,863	$ 504,721	$ 509,175	$ 533,783
Savings and money market accounts	490,830	472,288	445,943	417,110	408,499
Other time deposits	708,329	737,952	709,371	697,288	729,173
Total Deposits	1,735,469	1,749,103	1,660,035	1,623,573	1,671,455
Short-term indebtedness	261,360	289,985	239,427	266,171	375,245
Other liabilities	25,247	28,607	27,210	26,745	24,726
Long-term indebtedness	9,773	9,967	10,626	10,761	10,843
Shareholders' investment	163,388	160,452	159,496	157,646	155,793
Total Liabilities and Shareholders' Investment	**$2,195,237**	**$2,238,114**	**$2,096,794**	**$2,084,896**	**$2,238,062**

Average Yields and Rates (1) and (2)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Earning Assets					
Loans	8.0%	8.4%	9.2%	9.4%	9.8%
Investment securities					
Taxable	7.4	7.8	8.1	8.3	8.6
Nontaxable	8.7	8.5	8.1	8.2	8.2
Trading account securities	6.6	6.4	7.4	7.1	8.1
Total securities	7.5	7.8	8.1	8.3	8.5
Funds sold and other	4.1	4.[illegible]	5.7	5.9	6.4
Total Earning Assets	7.4%	7.7%	8.2%	8.4%	8.8%
Interest-Bearing Liabilities					
Savings and money market accounts	3.7%	4.7%	5.2%	5.2%	5.2%
Other time deposits	5.6	6.6	7.0	7.1	7.5
Short-term indebtedness	3.7	4.6	5.4	5.5	6.0
Long-term indebtedness	9.1	9.1	9.2	9.3	9.4
Total Interest-Bearing Liabilities	4.7%	5.6%	6.1%	6.3%	6.5%
Average Yield on Earning Assets	7.4%	7.7%	8.2%	8.4%	8.8%
Average Rate on Funding Sources	3.8	4.6	5.0	5.1	5.4
Net Interest Margin (tax-equivalent)	3.6%	3.1%	3.2%	3.3%	3.4%
Ratios					
Net noninterest expenses as % of average earning assets	2.48%	2.30%	2.69%	2.85%	2.71%
Rate or return on					
Average earning assets	.99	.19	.34	.34	.43
Average total assets	.82	.16	.28	.28	.35
Average shareholders' investment	10.99	2.24	3.67	3.69	5.10
Average earning assets as % of average total assets	82.80	82.56	82.79	82.45	82.28
Net loan losses as % of average loans	.24	.03	.14	.35	.06
Provision for possible loan losses as % of average loans	N/A	1.04	N/A	.06	.08
Reserve for possible loan losses at period end as % of loans outstanding	3.34	3.06	2.93	3.08	2.94
Reserve for possible loan losses at period end as % of nonperforming loans	69.84	68.80	77.21	73.05	70.42
Nonperforming loans as % of loans outstanding	4.78	4.44	3.79	4.21	4.17
Primary capital as % of adjusted quarterly average assets (3)	8.67	8.20	8.62	8.60	7.98
Leverage capital as % of adjusted quarterly average assets (4)	7.33	6.96	7.38	7.49	6.91
Average shareholders' investment as % of average total assets	7.44	7.17	7.61	7.56	6.96
Book value per common share	$18.71	$18.21	$18.10	$17.92	$17.75

(1) Tax-equivalent amounts computed using the statutory tax rate of 34% in 1992 and 1991. Because of the Company's net operating loss carryforwards available to offset taxable income, the Company does not receive full benefit from tax-exempt assets. The taxable equivalent adjustments shown above are for comparative purposes.

(2) Rate of return ratios have been computed based upon net income.

(3) Primary capital includes shareholders' investment and the reserve for possible loan losses.

(4) Leverage capital is common equity plus noncumulative preferred stock minus intangible assets.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

	March 31, 1992	December 31, 1991	March 31, 1991
	(Dollars in thousands)		
Assets			
Cash and due from banks			
Noninterest-bearing	$ 334,983	$ 325,060	$ 273,996
Interest-bearing	2,661	665	422
Federal funds sold and securities purchased under agreements to resell	119,570	316,490	163,340
Trading account securities	3,842	6,099	3,691
Investment securities	889,318	846,474	764,551
Loans	764,341	850,499	845,479
Less: Reserve for possible loan losses	(25,530)	(25,988)	(24,851)
Loans, net	738,811	824,511	820,628
Other real estate and assets owned, net	27,898	36,180	57,524
Property and equipment, net	47,689	48,085	49,132
Accrued income receivable	16,523	17,392	19,774
Accounts receivable	29,384	40,967	66,122
Other assets	26,610	27,618	11,515
Total Assets	**$2,237,289**	**$2,489,541**	**$2,230,695**
Liabilities and Shareholders' Investment			
Deposits			
Noninterest-bearing	$ 637,472	$ 675,881	$ 544,430
Interest-bearing	1,181,241	1,233,383	1,138,847
Total deposits	1,818,713	1,909,264	1,683,277
Short-term borrowing			
Federal funds purchased and securities sold under agreements to repurchase	138,215	136,781	183,638
Other	63,275	227,407	118,829
Accrued interest, expenses and taxes	14,049	19,142	16,479
Accounts payable	26,092	25,453	60,584
Other liabilities	2,507	1,890	1,392
Long-term notes	9,693	9,828	10,798
Total Liabilities	**2,072,544**	**2,329,765**	**2,074,997**
Commitments and Contingencies			
Shareholders' Investment			
Common Stock, $.10 par value, 125,000,000 shares authorized, 8,804,765, 8,772,268 and 8,772,107 shares issued at March 31, 1992, December 31, 1991 and March 31, 1991, respectively	880	877	877
Capital surplus	203,196	202,781	202,780
Accumulated deficit	(36,239)	(40,705)	(44,538)
Treasury stock, at cost – 51 common shares at March 31, 1992, December 31, 1991 and March 31, 1991, respectively	(1)	(1)	(1)
Deferred compensation	(3,091)	(3,176)	(3,420)
Total Shareholders' Investment	**164,745**	**159,776**	**155,698**
Total Liabilities and Shareholders' Investment	**$2,237,289**	**$2,489,541**	**$2,230,695**

The accompanying notes are an integral part of these balance sheets.

Consolidated Statements of Income

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(Dollars in thousands, except per share data)	
Interest Income		
Loans	$15,025	$19,276
Investments		
Taxable	15,303	13,983
Nontaxable	778	756
Trading account	108	148
Federal funds sold and other	1,699	4,832
Total Interest Income	32,913	38,995
Interest Expense		
Deposits	14,468	18,708
Short-term borrowings	2,428	5,593
Long-term notes	222	252
Total Interest Expense	17,118	24,553
Net Interest Income	15,795	14,442
Provision for possible loan losses	0	150
Net Interest Income After Provision	15,795	14,292
Noninterest Income		
Credit card fees	373	368
Trust fees	4,085	3,701
Mortgage banking income	1,932	1,077
Service charges on deposits	2,786	2,161
Trading account profits and commissions	890	1,012
Net securities gains (losses)	62	101
Other	2,679	1,690
Total Noninterest Income	12,807	10,110
Noninterest Expense		
Salaries	9,141	9,707
Employee benefits	1,935	1,917
Net occupancy expense	1,639	1,649
Equipment expenses	1,670	1,681
Professional and other services	1,960	1,819
Data processing expenses	1,422	1,366
Deposit insurance assessment	974	780
Net costs of (income from) operation of other real estate and nonperforming assets	(765)	(152)
Other	6,076	3,646
Total Noninterest Expense	24,052	22,413
Income before income taxes and extraordinary item	4,550	1,989
Provision for income taxes	1,191	314
Income before extraordinary item	3,359	1,675
Utilization of net operating loss carryforwards	1,107	283
Net Income	$ 4,466	$ 1,958
Income Per Share		
Income before extraordinary items — Primary and fully-diluted	$ .38	$ .19
Extraordinary items — Primary and fully-diluted	.12	.03
Net income — Primary and fully-diluted	$ .50	$ .22

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Shareholders' Investment

	Common Stock					
	Par Value	Capital Surplus	Accumulated Deficit	Treasury Stock	Deferred Compensation	Total Shareholders' Investment
			(Dollars in thousands)			
Balance January 1, 1991	$874	$202,546	$(46,496)	$(1)	$(3,498)	$153,425
Net income	–	–	1,958	–	–	1,958
Payments on employee stock option plan loan	–	–	–	–	78	78
Common stock issued to employee benefit and dividend reinvestment plans (31,116 shares)	3	234	–	–	–	237
Balance March 31, 1991	$877	$202,780	$(44,538)	$(1)	$(3,420)	$155,698
Balance January 1, 1992	$877	$202,781	$(40,705)	$(1)	$(3,176)	$159,776
Net income	–	–	4,466	–	–	4,466
Payments on employee stock option plan loan	–	–	–	–	85	85
Common stock issued to employee benefit plans (32,497 shares)	3	415	–	–	–	418
Balance March 31, 1992	$880	$203,196	$(36,239)	$(1)	$(3,091)	$164,745

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(Dollars in thousands)	
Cash provided by operating activities		
Net income	$ 4,466	$ 1,958
Adjustments to reconcile net income to net cash provided by operating activities		
Provisions for possible losses on loans and other real estate and assets owned	77	732
Depreciation and amortization	1,742	1,305
Net accretion of investment securities	(594)	(690)
Gain on sale of assets	(2,188)	(1,763)
Change in trading account securities	4,781	5,514
Loans made for purposes of resale	(39,405)	(25,027)
Proceeds from sale of loans held for resale	37,701	23,775
Change in accrued income and accounts receivable	12,104	(40,481)
Change in accrued expenses, accounts payable and other liabilities	(3,912)	33,942
Change in other assets	(980)	2,506
Net cash provided by operating activities	13,792	1,771
Cash provided (absorbed) by investing activities		
Maturities of investment securities	47,335	26,402
Sales of investment securities	98,736	72,345
Purchases of investment securities	(188,262)	(163,254)
Change in net loans made by bank subsidiaries	87,235	(60,809)
Principal payments received on loans made by parent company and nonbank subsidiaries	550	385
Loans made to customers by nonbank subsidiaries	(68)	–
Expenditures for property and equipment	(820)	(613)
Proceeds from sale of property and equipment	4	6
Proceeds from sale of other real estate and assets acquired in settlement of loans	9,391	8,115
Capitalized expenditures for other real estate and assets acquired in settlement of loans	–	(68)
Purchases of mortgage servicing contracts	–	(43)
Net cash provided (absorbed) by investing activities	54,101	(117,534)
Cash provided (absorbed) by financing activities		
Change in savings and demand deposits	(55,166)	(116,454)
Change in time deposits	(35,385)	(49,917)
Change in short-term borrowings	(162,698)	(90,597)
Payments on long-term notes	(148)	(136)
Proceeds from sale of treasury stock and issuance of common stock for employees' and shareholders' plans	418	237
Principal payments received on employee stock option plan loan	85	78
Net cash provided (absorbed) by financing activities	(252,894)	(256,789)
Net change in cash and cash-equivalents	(185,001)	(372,552)
Cash and cash-equivalents at January 1	642,215	810,310
Cash and cash-equivalents at March 31	$ 457,214	$ 437,758

Interest paid during the first quarters of 1992 and 1991 totalled $22,254,000 and $29,154,000, respectively.

Taxes paid during the first quarter of 1991 totalled $124,000. No taxes were paid in the first quarter of 1992.

During the first quarters of 1992 and 1991, net transfers of loans to other real estate and assets owned totalled approximately $97,000 and $518,000, respectively.

The accompanying notes are an integral part of these statements.

(1) Accounting Policies

The condensed financial statements included herein have been prepared by Banks of Mid-America, Inc. (the "Company") without audit, and include all adjustments which, in the opinion of management, are of a normal recurring nature and are necessary to present fairly the results of the interim periods, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. Certain reclassifications have been made to provide consistent financial statement classifications in the periods presented herein. Such reclassifications had no effect on net income or total assets.

It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1991 annual report on Form 10-K.

(2) Earnings Per Share

Earnings per share are calculated using the Company's weighted average common and common-equivalent shares (primarily stock options) outstanding during the periods. The weighted average number of shares used to compute primary and fully-diluted earnings per share are presented below.

	Three Months Ended March 31,	
	1992	1991
	(In thousands)	
Weighted average shares outstanding		
Primary	8,864	8,756
Fully-diluted	8,878	8,756

DIRECTORS

Molly Shi Boren
Attorney

Donald L. Brawner, M.D.
Retired Surgeon

Thomas G. Donnell
President and Chief
Executive Officer
Cain's Coffee Company

Robert S. Ellis, M.D.
Physician
Oklahoma Allergy Clinic

Martin E. Fate, Jr.
President and Chief
Executive Officer
Public Service Company of Oklahoma

William J. Fisher, Jr.
Chairman, President and
Chief Executive Officer
FISHERCORP, Inc.

C.W. Flint, Jr.
Chairman
Flint Industries, Inc.

James L. Hall, Jr.
Member
Crowe & Dunlevy

Raymond H. Hefner, Jr.
Chairman and
Chief Executive Officer
Bonray Drilling Corporation

Walter H. Helmerich, III
Chairman
Helmerich & Payne, Inc.

Joseph S. Jankowsky
Private Investor

John E. Kirkpatrick
Chairman Emeritus of the Board
President
Kirkpatrick Oil Company

Edward C. Lawson, Jr.
President
Lawson Petroleum Company

Herb Mee, Jr.
President and Director
Beard Oil Company

Charles E. Nelson
Chairman and Chief
Executive Officer

William G. Paul
Senior Vice President
and General Counsel
Phillips Petroleum Company

W.N. Pirtle
Senior Vice President
Oklahoma Natural Gas Company

V. Lee Powell
President and Director
Fremont Energy Corporation

Joe R. Stuart
President and Chief
Operating Officer
First Stuart Corporation

Robert E. Torray
Chairman and President
Robert E. Torray & Co., Inc.

John S. Zink
President
Zeeco, Inc.

ADVISORY DIRECTORS/ DIRECTORS EMERITUS OF THE COMPANY OR SUBSIDIARY BANKS

William C. Douce
Retired Chairman
Phillips Petroleum Company

Jean I. Everest
Private Investor

Phillip F. Farha
Private Investor

A.P. Martin
Chairman
Okemah National Bank

Burch Mayo
Private Investor

Gene C. Meyer
Southern Division Vice President
Weyerhaeuser Forest Products Company

Gerard J. Rothlein, Jr.
President and Chief Executive Officer
Children's Medical Center

Jack C. Tway
President
R.R. Tway, Inc.

J. Otis Winters
Chairman
Pate, Winters & Stone, Inc.

Henry Zarrow
President and Director
Sooner Pipe & Supply Corporation

SENIOR OFFICERS OF THE COMPANY

John E. Kirkpatrick
Chairman Emeritus of the Board

Charles E. Nelson *
Chairman and Chief
Executive Officer

W.H. Thompson Jr. †
President

William M. Bell *
Senior Vice President – Trust

Charles K. Block *
Senior Vice President – Credit Services

Kenneth R. Brown *
Senior Vice President – Investments

John L. Cooper * †
Senior Vice President – Operations and
Data Processing

Mischa Gorkuscha *
Senior Vice President,
Chief Financial
Officer and Secretary

* Also, Senior Officer of Liberty Oklahoma City

† Also, Senior Officer of Liberty Tulsa

Rodney L. Lee *
Senior Vice President and Controller

Barney Lehmbeck *
Senior Vice President – Marketing

W. Jeffrey Pickryl * †
Senior Vice President – Commercial Banking

Stephen D. Plunk †
Senior Vice President – Operations:
Special Assets

Douglas L. Ruhl *
Senior Vice President – Retail

Daniel L. Shelton *
Senior Vice President – Human Resources

N. Earl Willey
Senior Vice President – Auditor

SENIOR OFFICERS OF LIBERTY TULSA

W.H. Thompson, Jr.
Chairman and Chief
Executive Officer

Stephen D. Plunk
President

Robert A. Geweniger
Senior Vice President – Trust

Debra G. Masters
Senior Vice President –
Finance and Administration

SENIOR OFFICERS OF LIBERTY OKLAHOMA CITY

Charles E. Nelson
Chairman, President and
Chief Executive Officer

William M. Bell
Vice Chairman

Don E. Balaban
Senior Vice President – Trust

D. Dewayne Davidson
President and Chief
Executive Officer of Liberty
Mortgage Company

CORPORATE INFORMATION

Executive Offices
Banks of Mid-America, Inc.
Liberty Tower
100 North Broadway
Oklahoma City, OK 73102

Common Stock
Traded Over-The-Counter
NASDAQ National Market System
Symbol: BOMA

Form 10-K and Requests for Information
Readers wishing more detailed information about Banks of Mid-America may obtain a copy of its Form 10-K upon written request to:

Corporate Secretary
Banks of Mid-America, Inc.
P.O. Box 25848
Oklahoma City, OK 73125

Stock Transfer Agent and Registrar

Contact our stock transfer agent at the above address for assistance regarding:

- Change of address
- Transfer of stock certificates
- Replacement of lost, stolen or destroyed certificates
- Elimination of duplicate mailings

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BANKS OF MID-AMERICA, INC.

Mischa Gorkuscha
Senior Vice-President, Secretary and
Chief Financial Officer
(Principal Financial Officer)

Dated May 13, 1992

BANKS OF MID-AMERICA, INC

FORM 10-Q

For the Quarter Ended March 31, 1992

CROSS-REFERENCE INDEX

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Consolidated Statements of Cash Flows 17

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Financial Review) 4-10

PART II.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K: None

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0-34989
MAY 21 1992

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

92 15 6373

FORM 10-Q

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992 Commission file number O-1491

15

BEST LOCK CORPORATION

(Exact name of registrant as specified in its charter)

892-2232

Delaware	**35-1092570**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P. O. Box 50444, Indianapolis, Indiana	**46250**
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: **(317) 849-2250**

BEST COPY AVAILABLE

WASH. D.C.
SECTION
1992
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Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for for the past 90 days. Yes ☒ No ☐

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date (applicable only to corporate registrants.)

Common Stock 130 131,238.85 Shares

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BEST LOCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31 1992 (Unaudited)	December 31 1991
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$ 5,041,314	$ 5,840,599
Short-term investments (Note 1)	506,951	506,951
Trade receivables:		
Direct	6,256,724	5,451,688
Sales representatives and other	3,926,055	3,967,856
Allowance for uncollectible accounts	(196,968)	(197,143)
Estimated refundable income taxes	286,128	362,780
Notes receivable	83,948	94,052
Inventories (Notes 1 and 4)	14,571,910	13,496,255
Prepaid income taxes (Note 5)	1,968,858	1,968,858
Other prepaid expenses	259,198	316,727
Total current assets	32,704,118	31,808,623
PROPERTY, PLANT & EQUIPMENT, at cost (Notes 1 and 3)		
Land & buildings	12,838,364	12,789,060
Machinery & equipment	21,639,258	21,013,276
Tooling	7,169,561	6,880,506
Furniture, fixtures & other	9,038,018	8,808,834
	50,685,201	49,491,676
Less – accumulated depreciation	(21,568,824)	(20,702,620)
Total property	29,116,377	28,789,056
UNAMORTIZED RETIREMENT BENEFIT (Note 10)	581,665	795,022
OTHER ASSETS	379,435	379,435
Total assets	$ 62,781,595	$ 61,772,136

The accompanying notes to consolidated financial statements are an integral part of these statements.

BEST LOCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31 1992 (Unaudited)	December 31 1991
CURRENT LIABILITIES:		
Notes payable (Note 7)	$ 602,500	$ 602,500
Current portion of long-term debt	0	0
Current portion of retirement benefit obligation	2,334,365	2,334,365
Trade accounts payable	1,834,384	2,374,279
Accrued liabilities:		
Income taxes	162,533	195,643
Other taxes	1,071,836	846,584
Payroll and vacation pay	2,815,462	2,437,661
Other	765,689	770,721
Total current liabilities	9,586,769	9,561,753
LONG-TERM DEBT (Note 7)	0	0
RETIREMENT BENEFIT OBLIGATION (Note 10)	2,196,657	2,228,349
DEFERRED INCOME TAXES (Notes 1 and 5)	4,145,912	4,022,912
Total liabilities	15,929,338	15,813,014
SHAREHOLDERS' EQUITY (See accompanying statement)	46,852,257	45,959,124
Total liabilities and shareholders' equity	$ 62,781,595	$ 61,772,138

The accompanying notes to consolidated financial statements are an integral part of these statements.

BEST LOCK COMPANIES
Best Lock Corporation and Subsidiaries
Best Universal Lock Co. (a nonoperating holding company) and Subsidiaries
Frank E. Best, Inc. (a nonoperating holding company) and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31 1992	Three Months Ended March 31 1991
NET SALES	$ 19,658,062	$ 17,921,239
EXPENSES:		
Cost of goods sold	11,361,874	10,801,555
Selling	4,153,559	3,478,243
General & administrative	1,590,762	1,449,413
Engineering, research & development	902,034	677,908
Interest	20,038	47,130
Total expenses	18,028,267	16,454,249
INCOME before provision for income taxes	1,629,795	1,466,990
Provision for income taxes (Note 5)	694,456	648,778
NET INCOME, Best Lock Corporation and Subsidiaries	935,339	818,212
Minority interest in net income, Best Lock & Subsidiaries	(254,319)	(222,472)
Corporate (expense)–Best Universal Lock Co.	5,692	5,692
NET INCOME, Best Universal Lock Co. and Subsidiaries	686,712	601,432
Minority interest in net income, Best Universal & Subsidiaries	(153,617)	(134,540)
Corporate (expense)–Frank E. Best, Inc.	5,685	5,313
NET INCOME, Frank E. Best, Inc. and Subsidiaries	$ 538,780	$ 472,205

	Best Lock Corporation	Best Universal Lock Co. Series A	Best Universal Lock Co. Series B	Frank E. Best, Inc.
Earnings per common share:				
1992	$7.13	$1.78	$1.78	$0.90
1991	$6.23	$1.56	$1.56	$0.79
Weighted average shares outstanding:				
1992 and 1991	131 238.85	86,469	300,000	598,710

The accompanying notes to consolidated financial statements are an integral part of these statements.

BEST LOCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	March 31 1992 (Unaudited)	December 31 1991
COMMON STOCK, no par value, 200,000 shares authorized; 145,128.85 shares issued; 131,238.85 shares outstanding (Note 6)	$ 1,407,841	$ 1,407,841
ACCUMULATED EARNINGS:		
Balance at beginning of year	45,065,811	41,224,081
Net income	935,339	4,458,553
Cash dividends paid (see below)	0	(616,823)
Balance at end of year	46,001,150	45,065,811
CUMULATIVE TRANSLATION ADJUSTMENT (Note 1)	207,216	249,422
TREASURY STOCK	(763,950)	(763,950)
Total shareholders' equity	$ 46,852,257	$ 45,959,124
Cash dividends paid per share:	$0.00	$4.70

The accompanying notes to consolidated financial statements are an integral part of these statements.

BEST LOCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 18,812,494	$ 16,694,664
Cash paid to suppliers and employees	(17,933,423)	(15,139,583)
Interest received	79,142	118,572
Interest paid	(5,001)	(57,093)
Income taxes paid	(526,504)	(496,220)
Net cash provided by operating activities	426,708	1,120,340
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net from short-term investments	0	3,300
Proceeds from sale of property, plant and equipment	20,447	3,165
Capital expenditures	(1,227,486)	(1,803,829)
Net from long-term investments	0	0
Net cash used in investing activities	(1,207,039)	(1,797,364)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings, notes payable	0	0
Principal payments on long-term debt	0	(39,938)
Dividend payments	0	0
Net cash used in financing activities	0	(39,938)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(18,954)	(62)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(799,285)	(717,024)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,840,599	4,863,368
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,041,314	$ 4,146,344
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 935,339	$ 818,212
Adjustments–		
Depreciation & amortization	879,851	756,763
Provision for losses on accounts receivable	(1,444)	373
(Gain) loss on sale of property, plant & equipment	(4,894)	(3,170)
Change in assets and liabilities–		
(Increase) decrease in accounts & notes receivable	(761,532)	(1,104,833)
(Increase) decrease in refundable income taxes	76,652	69,378
(Increase) decrease in inventories	(1,089,291)	273,321
(Increase) decrease in prepaid expenses	57,272	60,162
(Increase) decrease in deferred charges	0	285
Increase (decrease) in accounts payable & accrued expenses	61,790	161,400
Increase (decrease) in income taxes payable	(31,700)	(1,120)
Increase (decrease) in deferred taxes	123,000	90,600
Increase (decrease) in retirement benefit and benefit obligation	181,665	(1,031)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 426,708	$ 1,120,340

The accompanying notes to consolidated financial statements are an integral part of these statements.

BEST LOCK COMPANIES
Best Lock Corporation and Subsidiaries
Best Universal Lock Co. (a nonoperating holding company) and Subsidiaries
Frank E. Best, Inc. (a nonoperating holding company) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The consolidated balance sheet as of March 31, 1992, and the related consolidated statements of income and shareholders' equity and cash flows for the periods ending March 31, 1992, and March 31, 1991, are unaudited. In the opinion of the Company all adjustments (which consist only of normal recurring items) necessary for a fair presentation of such financial statements have been included.

The financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Company's annual financial statements and notes.

The consolidated financial statements for each parent company in the Best Lock Companies include their respective subsidiaries' accounts to the extent indicated below:

Parent Company	Subsidiaries	Percent Owned
Frank E. Best, Inc. (Best)	Best Universal Lock Co.	78 %
Best Universal Lock Co. (Universal)	Best Lock Corporation	73 %
Best Lock Corporation (Lock)	Best Universal Locks Limited (Limited)	100 %
	Best Locking Systems of Denver, Inc.	100 %
	Best Locking Systems of Los Angeles, Inc.	100 %
	Best Locking Systems of New York, Inc.	100 %
	Best Locking Systems of Portland, Inc.	100 %
	Best Locking Systems of the Ohio Valley, Inc.	100 %
	Best Locking Systems of Indiana, Inc.	100 %
	Best Locking Systems of Northern California, Inc	100 %
	Best Locking Systems of Maryland, Inc.	100 %

All significant intercompany accounts, investments and transactions have been eliminated in the consolidations.

Best and Universal account for their investment in subsidiaries on the equity method and have no other significant assets or liabilities.

b. Consolidated Statements of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

c. Other policies

Depreciation is provided on the straight-line method for book purposes and on an accelerated method for income tax purposes.

Deferred income taxes are provided to reflect the timing differences between book and taxable income.

Inventories are valued using the last-in, first-out (LIFO) method for approximately 91% of consolidated inventories. The remaining inventories are are valued at the lower of cost, first-in, first-out (FIFO) or market.

Research and development costs are expensed as incurred.

Short-term, marketable debt securities are stated at cost, which approximates market value, and consisted of the following:

	March 31 1992	December 31 1991
U.S. Government and agency obligations	$ 506,951	$ 506,951
	$ 506,951	$ 506,951

In February, 1990, the Company purchased $1.6 million of commercial paper issued by a firm which subsequently filed for bankruptcy reorganization under Chapter 11 of the United States Bankruptcy Code. At December 31, 1990, this commercial paper was valued at an approximate market value of $112,000, and $1,483,000 was charged against income at that time. This charge is included in the Consolidated Statements of Income in General and Administrative expenses. In August, 1991, the company favorably settled certain litigation related to the purchase of the commercial paper. The proceeds received as a result of the settlement, net of legal fees associated therewith, are reflected in the December 31, 1991, Consolidated Statements of Income in General and Administrative expenses.

Interest income for the period that is reflected in the Consolidated Statements of Income in the caption Net Sales was $54,559, $405,074 and $705,517 in 1992, 1991 and 1989, respectively.

The accounts of Lock's Canadian subsidiary are translated in accordance with Financial Accounting Standards Board Statement No. 52, whereby the balance sheet accounts are translated at the exchange rate in effect at period end, income accounts are translated at the average rate of exchange during the period, and translation gains and losses are excluded from net earnings by being recorded as a component of shareholders' equity (Cumulative Translation Adjustment). The consolidated financial statements include translation gains (losses) of ($42,206) and ($55,755) in 1992 and 1991, respectively.

2. DIVIDENDS

The Articles of Incorporation of Universal require that for any common stock dividend: a) 50% of the first $138,000 in dividends be distributed to Series A holders and 50% to Series B holders and, b) the remainder be distributed on an equal per share basis to Series A and B holders (all on a noncumulative basis).

As a result of the preferential dividend treatment to the series A holders, the transfer of the proportionate amount of minority interest has been reflected in the Consolidated Statements of Shareholders' Equity of Best.

3. PROPERTY, PLANT AND EQUIPMENT

For book purposes, depreciation is provided using the following straight-line rates:

Buildings	3% to 5%
Machinery and equipment	5%, 8-1/3% & 20%
Tooling	8-1/3%, 12-1/2% & 20%
Furniture, fixtures and other	10% & 20%

Maintenance, repairs and minor renewals are charged to income as incurred. Major renewals, replacements and betterments are capitalized in the property accounts.

Retirements are removed from property accounts at cost and the related depreciation is removed from the accumulated depreciation accounts. Gains or losses on dispositions of property and equipment are reflected in income.

4. INVENTORIES

FIFO cost of inventories would have been higher than LIFO cost as follows:

March 31 1992	December 31 1991
$ 6,042,627	$ 6,046,592

Inventories used in the determination of income were as follows:

	March 31 1992	December 31 1991
Finished goods	$ 3,582,598	$ 3,720,956
Work-in-process	10,5[illegible]3,511	9,416,996
Raw material	402,801	358,303
	$ 14,571,910	$ 13,496,255

5. INCOME TAXES

Income tax expense consisted of the following:

	March 31 1992	March 31 1991
U.S. Federal –		
Current	$ 395,326	$ 351,156
Deferred	90,000	68,700
Foreign	48,794	110,138
State –		
Current	127,336	103,184
Deferred	33,000	15,600
	$ 694,456	$ 648,778

Substantially all foreign income taxes provided were currently payable.

Earnings before income taxes were as follows:

	March 31 1992	March 31 1991
Domestic	$ 1,538,202	$ 1,204,762
Foreign	91,593	262,228
	$ 1,629,795	$ 1,466,990

The effective rate of income taxes provided varied from the statutory rate for the following reasons:

	March 31 1992	March 31 1991
Statutory Federal tax rate	34.0 %	34.0 %
The statutory rate of tax provided was increased (decreased) by:		
State income taxes, net of Federal income taxes	7.2	5.7
Investment write–off (recovery)	0.0	0.0
Other	1.4	4.5
Effective rate of tax provided	42.6 %	44.2 %

Deferred income taxes are provided on transactions which enter into the determination of income for financial reporting and tax reporting in different periods. The components of the deferred (prepaid) tax provisions were as follows:

	March 31	
	1992	1991
Excess tax over book depreciation	$ 123,000	$ 90,600
Costs inventoried for tax purposes, expensed for book purposes	0	0
Excess of book over tax accrued vacation	0	(11,769)
Non-qualified retirement benefit agreements	0	6,558
Other, net	0	(1,089)
	$ 123,000	$ 84,300

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement No. 109, "Accounting for Income Taxes." Implementation of Statement No. 109 is required beginning January 1, 1993. The Company believes implementation of Statement No. 109 will have an immaterial effect on net income.

6. LICENSE AGREEMENT

Under the terms of a 1928 license agreement between Lock and its parent companies (Universal and Best), Lock agreed to issue a companion share of stock to Universal for each share of voting stock sold or otherwise disposed of during the full period of the corporate existence.

7. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-term debt is summarized below:

	March 31, 1991
Mortgage note, 9-5/8%, due in monthly installments of $20,093, including interest, to June 1999, secured by Lock's real estate	$ 818,677
Less current maturities	(169,678)
	$ 648,999

There are no maturities of long-term debt during the next five years. The mortgage note was paid in September, 1991.

As of March 31, 1992, Lock had a demand note payable to each of its parent companies (Universal and Best) of $300,000. The notes bear interest at the prime rate (6.5% at March 31, 1992) and are unsecured. Interest expense on these notes was $7,500 each in 1992 and $30,000 each in 1991.

The Company has an agreement with a financial institution for letters of credit available primarily for issuance to a foreign vendor. At March 31, 1992, the Company had no outstanding letters of credit.

The Company leases various office and warehouse facilities under noncancellable lease arrangements. Lease terms are from one to five years and most provide options to renew. Future minimum lease payments under noncancellable operating leases as of March 31, 1992, are as follows:

	Amount
1992	$ 143,217
1993	112,564
1994	40,630
1995	12,185
1996	0

Rent expense charged to operations totaled $70,561 and $241,684 in 1992 and 1991, respectively.

8. STOCK BONUS PLAN

The Best Lock Corporation Stock Bonus Plan is available to Lock employees meeting certain eligibility requirements. The plan is noncontributory and is qualified pursuant to the applicable provisions of the Internal Revenue Code.

Best Lock Corporation's cash contributions to the Stock Bonus Plan were $0 in 1992 and $250,000 in 1991, which amounts have been charged to expense in the accompanying financial statements. Contributions are determined by Lock's Board of Directors.

9. SEGMENT REPORTING

The Best Lock Companies are engaged in the manufacture and sale of locking systems only, and as such do not report on a segment basis. Foreign sales amount to approximately 7% of total sales during 1992 and 1991.

10. RETIREMENT PLANS

Effective September 1, 1989, the Company adopted a noncontributory defined benefit Employees' Pension Plan (Plan) to provide retirement benefits to substantially all current and retired employees as of September 1, 1989. The Company has received a favorable determination letter for the Plan from the Internal Revenue Service. The Plan provides benefits for past service only. The monthly benefit is based on the employee's years of service and compensation as of September 1, 1989. The benefits for retired employees were based upon amounts specified in the Plan. Under the Plan provisions, all participants were 100% vested at September 1, 1989. Normal retirement age is 65 with provisions for earlier retirement with reduced benefits. It is the Company's intent to fund the Plan over approximately four years until the Plan is fully funded. Company contributions are made to a trust fund whose assets consist of investments in a registered mutual fixed income fund.

The Plan's funded status as of:		March 31 1992		December 31 1991
Actuarial present value of accumulated benefit obligation, discounted at 8%	$	6,496,592	$	6,508,591
Plan assets at fair value		4,199,590		4,213,569
Retirement benefit obligation included in the consolidated balance sheets	$	2,297,002	$	2,295,022

The Company's method of accounting for pension costs is to expense the cost of this Plan over approximately three years beginning in 1989. Net periodic pension cost including interest totaled $215,337 in 1992 and $2,000,000 in 1991.

The difference between the actuarial present value of accumulated benefit obligation and the amounts charged to operations is reflected as unamortized retirement benefit in the consolidated balance sheets. This amount was:

		March 31 1992		December 31 1991
Unamortized retirement benefit	$	581,665	$	795,022

In addition to the Plan adopted on September 1, 1989, the Company executed supplemental retirement benefit agreements with certain retirees and officers. For financial reporting purposes, the actuarial present value (discounted at 8%) of the benefits to be provided under the terms of these agreements were recognized in 1989, except for the agreement with the Company's President, which will be amortized over his estimated remaining service life. The Company recognized costs related to these agreements of $45,000 and $171,490 in 1992 and 1991, respectively. The retirement benefit obligation for supplemental benefits included in the consolidated balance sheets totaled $2,234,020 at March 31, 1992 and $2,267,692 at December 31, 1991. The benefits under these agreements will be paid monthly by the Company over the lifetime of the recipients.

A summary of the retirement benefit obligations included in the consolidated balance sheets is presented below:

		March 31 1992		December 31 1991
Defined Benefit Employees Pension Plan	$	2,297,002	$	2,295,022
Supplemental Retirement Benefit Agreements		2,234,020		2,267,692
	$	4,531,022	$	4,562,714
Current Portion	$	2,334,365	$	2,334,365
Non-current Portion		2,196,657		2,228,349
	$	4,531,022	$	4,562,714

BEST LOCK COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF

Results of Operations for the Quarter Ended March 31, 1992 as Compared to the Quarter Ended March 31, 1991

NET SALES of $19,658,062 increased $1,736,823 or 10%.

INCOME BEFORE TAXES of $1,629,795 increased $162,805 or 11%.

TAXES ON INCOME of $694,456 increased $45,678 or 7%.

NET INCOME for Best Lock Corporation and Subsidiaries of $935,339 increased $117,127 or 14%.

NET INCOME for Best Universal Lock Co. and Subsidiaries of $686,712 increased $85,280 or 14%.

NET INCOME for Frank E. Best Inc. and Subsidiaries of $538,780 increased $66,575 or 14%.

Financial Condition as of March 31, 1992 as Compared to December 31, 1991

WORKING CAPITAL of $23,117,349 increased $888,968 or 4%.

The CURRENT RATIO increased to 3.4.

PART II. OTHER INFORMATION

There is not information required to be filed under Items 1 through 6 of this Part Two during the quarter being reported herein.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BEST LOCK CORPORATION
(Registrant)

By:
Roger E. Beaverson
Secretary and Treasurer
(Principal Accounting Officer)

Date: May 15, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File Number 0-2970

COMMERCIAL DECAL, INC.

(Exact name of registrant as specified in its charter)

NEW YORK	13-1725195
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification number)

650 SOUTH COLUMBUS AVENUE, MOUNT VERNON, NEW YORK 10550

(Address of principal executive offices)

Registrant's telephone number, including area code (914) 664 1610

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

As at March 31, 1992, there were outstanding 1,219,509 shares of common stock and 40,471 shares of cumulative voting preferred stock.

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PART 1 FINANCIAL INFORMATION

COMMERCIAL DECAL, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	March 31 1992	September 30 1991
	(Unaudited)	(Note)
CURRENT ASSETS		
Cash and cash equivalents	$ 109,133	$ 109,871
Receivables	832,669	832,027
Less - allowance for doubtful accounts	133,040	125,760
	699,629	706,267
Inventories		
Finished goods	352,944	527,864
Work in process	91,501	181,112
Raw materials	184,425	246,748
	628,870	955,724
Sundry current assets	84,378	63,982
TOTAL CURRENT ASSETS	1,522,010	1,835,844
PROPERTY, PLANT AND EQUIPMENT	6,578,372	6,570,176
Less - accumulated depreciation	5,295,887	5,190,710
	1,282,485	1,379,466
OTHER ASSETS	315,303	317,198
	$ 3,119,798	$ 3,532,508

CONSOLIDATED BALANCE SHEETS
(continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31 1992	September 30 1991
	(Unaudited)	(Note)
CURRENT LIABILITIES		
Note payable - bank	$ 370,000	$ 400,000
Current portion of long term debt	23,880	23,880
Accounts payable	1,144,517	1,189,362
Accrued liabilities	451,725	317,023
TOTAL CURRENT LIABILITIES	1,990,122	1,930,265
LONG-TERM DEBT, less current portion - Note B	958,619	370,560
TOTAL LIABILITIES	2,948,741	2,300,825
SHAREHOLDERS' EQUITY		
6% Cumulative Voting Preferred Stock, par value $10 a share - authorized 200,000 shares; issued 52,076 shares	520,760	520,760
Common Stock, par value $.20 a share - authorized 2,000,000 shares; issued 1,322,910 shares	264,582	264,582
Additional paid-in capital	2,063,939	2,063,939
Retained earnings (deficit)	(2,381,135)	(1,320,509)
	468,146	1,528,772
Less treasury stock - at cost		
Preferred Stock - 11,605 shares	80,601	80,601
Common Stock - 103,401 shares	216,488	216,488
	171,057	1,231,683
	$ 3,119,798	$ 3,532,508

Note: The balance sheet at September 30, 1991 has been derived from the audited financial statements at that date.

See notes to consolidated financial statements.

COMMERCIAL DECAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(UNAUDITED)

	Six Months Ended March 31		Three Months Ended March 31	
	1992	1991	1992	1991
Net sales	$ 2,448,861	$ 2,604,503	$ 1,263,592	$ 1,214,894
Costs and expenses:				
Cost of goods sold	1,956,701	1,942,213	1,010,567	925,685
Selling, general and administrative	1,357,585	1,302,921	663,416	639,914
Research and development	150,028	391,958	77,092	207,432
Interest expense	84,992	51,343	40,108	22,633
Other (income), net	(39,819)	(81,128)	(3,692)	(50,907)
Total costs and expenses	3,509,487	3,607,307	1,787,491	1,744,757
Net Loss	(1,060,626)	(1,002,804)	(523,899)	(529,863)
Retained earnings (deficit) at the beginning of period	(1,320,509)	185,758		
RETAINED EARNINGS (DEFICIT) AT END OF PERIOD	$ (2,381,135)	$ (817,046)		
(Loss) per common share	$ (.88)	$ (.83)	$ (.44)	$ (.44)
Dividends per common share	-	-	-	-
Average number of shares outstanding	1,219,509	1,219,509	1,219,509	1,219,509

COMMERCIAL DECAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31	
	1992	1991
OPERATING ACTIVITIES		
Net (loss)	$ (1,060,626)	$ (1,002,804)
Adjustments to reconcile net (loss) to Net cash provided by operating activities:		
Depreciation of property, plant and equipment	105,177	127,167
Provision for losses on accounts receivable	12,000	12,000
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	(5,362)	126,972
Decrease in inventory, net	326,854	102,825
(Increase) Decrease in sundry current assets	(20,396)	38,385
Decrease in other assets	1,895	6,078
Increase in accounts payable and accrued expenses	89,857	359,668
NET CASH (USED IN) OPERATING ACTIVITIES	(550,601)	(229,709)
INVESTING ACTIVITIES		
Additions to plant & equipment-net	(8,196)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(8,196)	-
FINANCING ACTIVITIES		
Proceeds from bank loan	-	200,000
Payments on Bank Loan	(30,000)	-
Proceeds from mortgage	600,000	-
Principal payments on long-term debt	(11,941)	(11,940)
NET CASH PROVIDED BY FINANCING ACTIVITIES	558,059	188,060
(DECREASE) IN CASH AND CASH EQUIVALENTS	(738)	(41,649)
Cash and cash equivalents at beginning of period	109,871	212,396
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 109,133	$ 170,747

COMMERCIAL DECAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended September 30, 1992. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended September 30, 1991.

NOTE B - LONG TERM DEBT

Long-term debt consists of the following:

	March 31, 1992	Sept. 30, 1991
5 % loan collateralized by cash surrender value of officer life insurance	219,388	219,388
5 % collateralized loan due in monthly installments of $ 1,990 plus interest, to 1999. Subsidized by New York State Energy Office.	163,111	175,052
10% loan collateralized by mortgage on company's property in Mt. Vernon	600,000	
	982,499	394,440
Less Current Portion	23,880	23,880
	958,619	370,560

NOTE C - CONTINGENCY

On August 2, 1991 the Company consented to the issuance of an order by the New York State Department of Environmental Conservation (DEC) against the Company alleging that it was violating certain sections of the New York Environmental Conservation Law. Pursuant to the settlement, the Company paid a penalty of $200,000 in October, 1991 and agreed to develop a plan which will enable the Company to achieve compliance with DEC requirements by June 12, 1992.

The Company has commenced a legal action to set aside this consent order. If the Company is successful in this action, no additional capital expenditures pursuant to the original order of consent will have to be made. The outcome of this legal action can not be presently ascertained.

PART II OTHER INFORMATION

Items 1 through 5 are omitted because they are inapplicable or answer is negative.

Item 6 Exhibits and report on Form 8-K

a. Exhibits - none

b. No reports on Form 8-K have been filed during the quarter

MANAGEMENTS' DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net sales of $1,263,592 for the second quarter ended March 31, 1992 increased $48,698 or 4% over sales of $1,214,894 for 1991. For the six month period, net sales of $2,448,861 were $155,642 or 6% lower than net sales of $2,604,503 for the prior year. During the quarter, the Company achieved a moderate sales increase, but there was an overall decrease for the six month period which resulted primarily from a reduction in customer requirements for glass cookware product decals.

Gross margin from operations was $253,025 or 20% for the current quarter as compared with $289,209 or 23.8% for the prior year. For the six month period, gross margin was $492,160 or 20.1% as compared with $662,290 or 25.4% for 1991. The reduced gross margin is attributable to the decline in sales volume and the inability of the Company to further reduce manufacturing related fixed costs.

Research and Development expenses decreased $130,340 for the current quarter and $241,930 for the six month period over 1991. The cost reductions are attributable to personnel reductions and managements' efforts to control expenses because of the Companys' lower sales volume.

Interest expense increased $17,475 for the current quarter and $33,649 for the six month period. The increases resulted primarily from additional borrowings.

Operations for the current six month period resulted in a net loss of $1,060,626 or $.88 per share as compared with a net loss of $ 1,002,804 or $.83 for the prior year period.

LIQUIDITY AND SOURCES OF CAPITAL

As of March 31, 1992, the Company had a negative working capital of $468,112 and its' current ratio was .76 to 1. During the current six month period, the Company used cash of $550,601 in its' operating activities.

In October, 1991 the Company borrowed $600,000 from three shareholders under a demand note with interest at 10% collateralized by a mortgage on the Companys' property in Mount Vernon, New York. Also, in October, 1991 the Company paid $200,000 to the New York State Department of Environmental Conservation (DEC) in settlement of a prior complaint (see Note C - Contingency).

The Company requires additional funds to finance future operations and to meet existing obligations. The Company has offered its' Mount Vernon facility for sale and is also considering other ways of conserving cash and generating cash flow, including obtaining additional financing, deferral of capital expenditures and expanding sales efforts.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMERCIAL DECAL, INC.

Date: May 14, 1992

Charles K. Silberstein, President

Date: May 14, 1992

Harry Kamph, Treasurer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 1991

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OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

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DIMENSION GROUP INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

59-2839130
(I.R.S. Employer Identification No.)

9942 NW Sixth Place
Plantation, Florida
(Address of principal executive offices)

33324-4906
(Zip Code)

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Registrant's telephone number, including area code: (305) 753-2626

None
(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x. No ___.

8,795,500 Common Shares, $.001 par value were issued and outstanding at June 30, 1991.

DIMENSION GROUP INC.

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DIMENSION GROUP INC.
(A Development Stage Company)
Balance Sheets

ASSETS

	December 31, 1990	June 30, 1991 (Unaudited)
Current Assets		
Cash	$ -	$ -
Total current assets	-	-
Organization expense, net of accumulated amortization	92	64
TOTAL ASSETS	$ 92	$ 64

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1990	June 30, 1991 (Unaudited)
Current Liabilities		
Accrued expenses	$ -	$ 1,100
Total current liabilities	-	1,100
Stockholders' equity		
Common stock - $.0001 par value, 50,000,000 shares authorized - 8,795,500 shares issued and outstanding	880	880
Additional paid-in capital	27,052	27,052
Deficit accumulated during the development stage	(27,840)	(28,968)
Total stockholders' equity	92	(1,036)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 92	$ 64

See accompanying notes to financial statements

DIMENSION GROUP INC.
(A Development Stage Company)
Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,		Inception (August 25, 1987) to June 30,
	1991	1990	1991	1990	1991
	(Unaudited)		(Unaudited)		(Unaudited)
Revenues	$ -	$ -	$ -	$ -	$ -
General and administrative expenses	564	3,270	1,128	8,626	28,968
Net (loss)	$(564)	$(3,270)	$(1,128)	$(8,626)	$(28,968)
Net (loss) per common share	$ -	$ -	$ -	$ -	

See accompanying notes to financial statements

DIMENSION GROUP INC.
(A Development Stage Company)
Statements of Cash Flows

	Six Months Ended June 30, 1991 (Unaudited)	Six Months Ended June 30, 1990 (Unaudited)	Inception (August 25, 1987) to June 30, 1991 (Unaudited)
Cash flows from operating activities:			
Net loss	$(1,128)	$(8,626)	$(28,968)
Adjustments to reconcile net loss to net cash required by operating activities:			
Shares issued for services	-	-	4,320
Organization costs	-	-	(283)
Amortization of organization costs	28	28	219
Increase (decrease) in accrued expenses	1,100	(87)	1,100
Net cash required by operating activities	-	(8,685)	(23,612)
Cash flows from financing activities:			
Sales of common stock for cash	-	-	21,250
Sale of units to the public	-	-	37,525
Registration costs paid	-	-	(35,163)
Net cash provided by financing activities	-	-	23,612
Net increase (decrease) in cash	-	(8,685)	-
Cash, beginning of period	-	8,685	-
Cash, end of period	$ -	$ -	$ -
Financing activities, non-cash flows:			
Common stock issued in exchange for consulting services (registration costs)	$ -	$ -	$ 1,818

See accompanying notes to financial statements

DIMENSION GROUP INC.
(A Development Stage Company)
Notes To Financial Statements
(Unaudited)

1. FINANCIAL STATEMENTS

The balance sheet as of June 30, 1991, the statements of operations for the three and six months ended June 30, 1991 and 1990 and the statements of cash flows for the six months ended June 30, 1991 and 1990 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which included only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows as of June 30, 1991 and for all periods presented have been made. The results of operations are not necessarily indicative of the results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the annual Form 10K filed with the Securities and Exchange Commission for the year ended December 31, 1990.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Planned principal operations of the Company have not commenced, and it has had no revenues, earnings or history of operations. The Company's activities, since inception, have consisted of: conceptualizing a projected plan for the Company's business, filing necessary incorporation and organization documents and obtaining minimal financing to support its activities. See "Proposed Business." In June 1975, the Financial Accounting Standards Board, in its Statement No. 7, set forth guidelines for identifying an enterprise in the development stage and the standards of financial accounting and reporting applicable to such an enterprise. In the opinion of the Company, its activities since its inception in August 1987, fall within the referenced guidelines. Accordingly, the Company has reported its activities in accordance with the aforesaid Statement of Financial Accounting Standards No. 7.

Financing of the Company's activities has been provided from the private sale of its Common Stock for cash and a subsequent public offering of 12,500 Units for $37,500 in cash with net proceeds to the Company of $544. At June 30, 1991, the Company had no cash.

There are no material commitments for capital expenditures or long term credit arrangements. The Company's ability to commence and continue operations, as well as its future liquidity condition and capital resources position, are all dependent upon the Company's ability to develop a specific plan of operations, including the acquisition or establishment of a business and/or subsidiary, and to commence and ultimately achieve profitable operations.

The future exercise of the Warrants included in the Units which were sold in connection with the Company's initial public offering, as to which there can be no assurance whatsoever, is a material element in the potential of the Company. Unless a substantial number of Warrants are exercised in the future, the value of the Company will be minimal. Furthermore, unless an economically attractive business combination or business opportunity becomes available to the Company, it is not likely that Warrants will be exercised.

DIMENSION GROUP INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings: None

Item 2. Changes in Securities: None

Item 3. Defaults Upon Senior Securities: None

Item 4. Submission of Matters to a Vote of Security Holders:

None

Item 5. Other Information: None

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits - None

(b) During the quarter ended June 30, 1991, no reports were filed on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dimension Group Inc.
Registrant

Dated: June 4, 1992

Robert F. Harris, President
Treasurer, Principal Accounting
and Financial Officer, Chief
Executive Officer and Director

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the three months ended March 31, 1992
Commission file number 0-12564

HG2-2232

7u/y

ELECTRO-KINETIC SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

22-1954716
(I.R.S. Employer Identification No.)

701 Chestnut Street
Trainer, Pennsylvania
(Address of principal executive offices)

19061
(Zip Code)

PROCESSED BY
JUN 9 1992

(215) 497-4660
(Registrant's phone number, including area code)

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Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes _X_ No ___

Inidicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class A Common stock: 11,299,500, as of March 31, 1992

Part I. FINANCIAL INFORMATION

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Note 1)
ASSETS		
Current assets:		
Cash	$ 46,503	$ 13,501
Accounts receivable, net	168,995	175,400
Other receivables	20,488	5,703
Inventories:		
Attributable to discontinued operations (Note 3)	136,548	128,945
Attributable to continuing operations	12,592	12,125
Investment, at equity, in EKS-Asia, Ltd.	140,000	140,000
Prepaid expenses and other current assets	16,562	117
Total current assets	541,688	475,791
Property, plant and equipment, at cost, less accumulated depreciation and amortization:		
Attributable to discontinued operations (Note 3)	43,050	43,050
Attributable to continuing operations	367,003	384,855
Total property, plant and equipment	410,053	427,905
Other assets:		
Excess of cost over net assets acquired, less accumulated amortization:		
Attributable to discontinued operations (Note 3)	99,810	99,574
Attributable to continuing operations	135,368	135,368
Intangible assets, net	18,313	17,688
Deposits	4,340	4,340
Total other assets	257,831	256,970
Total assets	$1,209,572	$1,160,666

See notes to condensed consolidated financial statements

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991 (Note 1)
Current liabilities:		
Demand notes	$ 145,490	$ 149,567
Current portion of long-term debt	442,655	442,655
Obligations under capital leases	31,415	31,415
Accounts payable	170,431	265,252
Accrued expenses and other current liabilities	187,137	144,550
Total current liabilities	977,128	1,033,439
Long-term debt	26,045	45,297
Total liabilities	1,003,173	1,078,736
Shareholders' equity:		
Class A common shares, no par value; authorized 20,000,000 shares; issued and outstanding 11,587,028 in 1992 and 11,299,500 in 1991 (Note 5)	2,571,192	2,534,876
Class B common shares, no par value; authorized 500,000 shares; none issued and outstanding	-	-
Additional paid-in capital	121,086	-
Accumulated deficit	(2,485,879)	(2,452,946)
Total shareholders' equity	206,399	81,930
Total liabilities and shareholders' equity	$1,209,572	$1,160,666

See notes to condensed consolidated financial statements

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS)
(Unaudited)

	Three months ended March 31,	
	1992	1991
Sales	$ 41,896	$ 82,292
Cost of sales	35,712	48,849
Gross profit	6,184	33,443
Operating expenses	93,980	112,896
Loss from operations	(87,796)	(79,453)
Other income (expense)	3,625	-
Loss from continuing operations	(84,171)	(79,453)
Gain (loss) from discontinued operations (Note 3)	51,238	(15,773)
Net loss	$ (32,933)	$ (95,226)
Loss per share of Class A common stock - continuing operations	$ (.007)	$ (.007)
Gain (loss) per share of Class A common stock - discontinued operations (Note 3)	$ .004	$ (.001)
Number of Class A common shares outstanding	11,587,028	11,231,500

See notes to condensed consolidated financial statements

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (NOTE 2)
(Unaudited)

	Three months ended March 31,	
	1992	1991
Cash from operations	$(106,009)	$(138,657)
Cash flows from investing activities:		
Capital expenditures	-	(17,000)
Net decrease in other assets	861	7,383
Net cash used by investing activities	861	(9,617)
Cash flows from financing activities:		
Paid-in capital	121,086	-
Proceeds from sale of common stock and debentures	36,316	105,000
Repayment of long-term debt	(19,252)	(8,250)
Additional borrowings	-	40,000
Net cash provided by financing activities	138,150	136,750
Net increase (decrease) in cash	33,002	(11,524)
Cash - beginning of period	13,501	67,558
Cash - end of period	$ 46,503	$ 56,034

See notes to condensed consolidated financial statements

ELECTRO-KINETIC SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The balance sheet as of December 31, 1991 has been derived from the audited balance sheet at that date.

Note 2 - Condensed Consolidated Statements of Cash Flows

This presentation is condensed as permitted by the SEC. The classification of cash flows is consistent with the requirements of FASB Statement 95.

Note 3 - Discontinued Operations

As more broadly defined in the notes to consolidated financial statements at December 31, 1991, in January 1992 the Company discontinued operations in E & F Corporation (a 30% affiliate) and in May 1992, the Company sold the Norland Division, solely owned by the Company. Accordingly, 1991 has been restated to comparatively reflect operations related to these discontinued entities.

Note 4 - Supplemental Disclosures

Cash paid for interest for 1992 and 1991 were as follows:

	1992	1991
Interest (net of amount capitalized)	$12,455	$29,058

Note 5 - Class A Common Shares

During the first quarter 287,528 shares of common stock were issued when debt was converted and outstanding options were exercised.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

The following discussion should be read in conjunction with the selected financial data and the financial statements appearing elsewhere in the report. Historical results and percentage relationships in the statement of income should not be taken as indicative of future operations.

The Company reclassified its 1990 and 1991 financial statements to reflect the sale of a discontinued operation, the EKS Norland Division. Net sales from continuing operations decreased 49% for the three months ended March 31, 1992, compared to the same period in 1991. This decrease is due primarily to the discontinuance of radon mitigation operations by DMA-RadTech, Inc., the Company's radiation testing facility, in February 1992, and in part to continuing weakness in the radon in air market.

Cost of sales was 224% and 137% of sales for the three months ended March 31, 1992 and 1991, respectively. This increase was due to the necessity to absorb fixed costs over a lower sales base.

Selling, general and administrative expenses decreased by $18,916 (224% and 137% of net sales for the three months ended March 31, 1992 and 1991, respectively). The decrease in amount is due to managements efforts to keep expenditures in line with available capital.

Capital Resources and Liquidity

The Company's near term cash requirements have been satisfied from current revenues, new investment, and utilization of a line of credit from a commercial lender, effected in October 1991. This loan was paid in full at the closing of the EKS Norland sale in May 1992. In December, 1991, a group of outside investors agreed to finance growth in environmental areas and invested approximately $150,000 during the first quarter of 1992. The investment was made in return for Common stock commitments. Refer to the Company's 1991 Annual Report on Form 10-K for further details.

The Company's long term debt consists primarily of a mortgage on Corporate Headquarters, and equipment loans. The balance at March 31, 1992 was 468,700, of which $442,655 was classified as a current liability, as a result of a technical default reported by the Company's auditors at 12/31/91. The Company has not received default notices from the financial institutions involved, and has continued to make monthly payments, which total approximately $6,000.

Other than the above, the Company does not presently utilize bank lines of credit. At March 31, 1992, the Company had a ratio of current assets to current liabilities of 0.54 to 1 and a working capital deficit of $461,485. At December 31, 1991, the Company had a ratio of current assets to current liabilities of 0.46 to 1 and a working capital deficit of $557,648. The Company anticipates a need for significant expenditures in the near future, in order to meet sales targets, and to develop new products and processes. The Company believes that the balance of funds raised as a result of the recent investment by outside investors, along with the proceeds from the sale of EKS Norland, may be insufficient to cover its needs, and is actively pursuing alternate means of raising capital at this time.

In the event the Company is unable to secure additional needed funds, it will take actions necessary to continue operations with the funds available, including, without limitation, borrowing from principals, reducing expenditures, and downsizing its workforce. The Company has taken, and will continue to take, steps to optimize its overall corporate overhead, including reductions of salary and personnel where warranted, and continuing management control over corporate expenses.

The Company maintains good relations with its banks and other financial institutions.

	A T March 31, 1992	December 31, 1991
Working Capital	($461,485)	($557,648)
Current Ratio	0.54 to 1	0.46 to 1
Stockholder's Equity	$206,399	$81,930

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

ELECTRO-KINETIC SYSTEMS, INC.

Dated : 6/4/62

By: ______________________
John J. Reilly, President
Chief Executive Officer,
Chief Financial Officer,
Principal Accounting
Officer.

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Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the
Securities Exchangu Act of 1934

For Quarter Ended March 31, 1992

F92-2232

Commission File No. 1-1525

GLADSTONE RESOURCES, INC.
(Exact Name of Registrant as Specified in its Charter)

State of Washington	91-0234563
(State of Incorporation)	(IRS Employer Identification No.)

210 Meadows Building, Dallas, Texas 75206
(Address of Principal Executive Office) (Zip Code)

(214) 363-3432
(Telephone Number of Registrant Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

The number of shares outstanding of each of the issuer's classes of common stock as of March 31, 1992 was:

4,243,560 Shares

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

See attached Accountant's Review Report and Consolidated Financial Statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of operations. Sales of gas and oil increased during the first three months of 1992 as compared to the first three months of 1991, resulting in an increase in net income from operations for the period.

The Registrant, a corporation organized in 1916 under the name Gladstone Mountain Mining Company, is engaged in the ownership and operation of various oil and gas leases. NM Corporation, a wholly owned subsidiary of the Registrant, owns a 28.7% net revenue interest in and under leases and lands located in San Juan County, New Mexico. The natural gas produced from wells on such leases has heretofore been sold to El Paso Natural Gas Company; production from such wells was suspended in mid-1986 due to the purchaser's refusal to pay the contract sales price of the gas; however, in mid 1989 production resumed. In February of 1990, the Registrant received a settlement check from the operator in an amount in excess of $700,000.00.

The Registrant owns overriding royalty and reversionary interests in oil and gas leases located in the counties of Columbiana, Stark and Tuscarawas, Ohio, along with interests in equipment and pipelines related to such leases. Natural gas wells are currently producing on these leases. The natural gas is being sold to the East Ohio Gas Company and Superior Clay Corporation. The oil is presently being sold to Quaker State Oil Company.

Additionally, the Registrant owns working interests in various leases and oil wells in Kent, Schleicher, Freestone and Madison Counties, Texas.

The Registrant participated in successful wells during 1990 in Schleicher, Freestone and Madison Counties, Texas.

The following table sets forth certain information with respect to the net after royalty natural gas and oil produced to the interest of the Registrant, whether directly or through its subsidiary for the last three fiscal years:

Natural gas production in mcf
San Juan County, New Mexico

1989	1990	1991
54,311	64,775	49,939

Natural Gas production in mcf - Ohio

1989	1990	1991
7,389	5,690	5,218

Natural Gas production in mcf - Texas

1989	1990	1991
0	6,257	35,687

* Oil production in barrels
San Juan County, New Mexico

1989	1990	1991
0	0	177

* Oil production in barrels - Ohio

1989	1990	1991
295	108	62

* Oil production in barrels - Texas

1989	1990	1991
2,277	2,529	5,749

* As used in this report, unless the context should otherwise require, the term "oil" shall include condensate and natural gas liquids.

The Registrant engaged in limited drilling activities during 1990 and 1991 resulting in completion of successful wells in Pecos, Schleicher, Freestone and Madison counties, Texas.

Liquidity. Revenues from current production are sufficient to meet the continuing expenses of the operation of the business.

Capital Resources. Due to the lack of working capital, drilling activities had ceased prior to the Company's receipt of the contract settlement monies. Presently, the Company has invested in drilling projects as described above. The Company believes that it has sufficient funds to do additional exploration and development on a limited basis.

Competition and Markets. The Registrant encounters competition from the major oil companies, independent operators and others in all phases of its oil and gas operations. The Registrant is not a significant factor in the oil and gas industry. Many of its competitors have substantially greater financial, technical, personnel and other resources and have been engaged in the exploration for and production of oil and gas longer than the Registrant.

The Registrant currently markets its production of crude oil, condensate, and natural gas liquids to various oil companies and natural gas liquids resellers; however, the continued availability of a ready market depends on numerous factors beyond the control of the Registrant. The price obtained for crude oil, condensate and natural gas liquids depends on various factors, including the grade and quality of production and general market conditions. Crude oil, condensate and natural gas liquids are generally sold at prevailing market prices

The ability to sell natural gas and the price obtained typically depends upon numerous factors, including the contractual terms, general market conditions, curtailments, and the effects of government legislation and regulations on the production, transportation, sale and price of gas.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

The following exhibits are filed as part of this report:

(11) Statement Regarding Computation of Per Share Earnings (See Consolidated Statement of Operations, p. 5 of Consolidated Financial Statements)

(19) Previously unfiled documents (Incorporated by reference to September 30, 1981 From 10-Q)

No reports on Form 8-K have been filed by the Registrant during the period ended March 31, 1992.

On May 24, 1991, the Spokane Stock Exchange closed and terminated trading in the stock of all companies listed on the exchange. Currently the Registrant's stock is not being traded on any exchange.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: 5-14-92.

GLADSTONE RESOURCES, INC.,
Registrant

By: E. B. Brooks Jr
E. B. Brooks, Jr., President

By: Emma Kate Speck
Emma Kate Speck,
Secretary/Treasurer

ACCOUNTANT'S REVIEW REPORT

and

CONSOLIDATED FINANCIAL STATEMENTS

GLADSTONE RESOURCES, INC. AND SUBSIDIARY

DALLAS, TEXAS

March 31, 1992

GLADSTONE RESOURCES, INC. AND SUBSIDIARY

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Consolidated Statement of Stockholders' Equity 6

Consolidated Statement of Cash Flows 7

Notes to Consolidated Financial Statements 8

HAROLD L. RATCLIFF
CERTIFIED PUBLIC ACCOUNTANT
8144 WALNUT HILL LANE LB100
SUITE 693
DALLAS, TEXAS 75231

(214) 691-9200
(214) 691-9224 FAX

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANT'S REVIEW REPORT

Board of Directors
Gladstone Resources, Inc.
Dallas, Texas

I have reviewed the accompanying consolidated balance sheet of Gladstone Resources, Inc., as of March 31, 1992, and the related consolidated statements of operation, stockholders' equity and changes in cash flows for the three months then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these statements is the representation of the management of Gladstone Resources, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying 1992 financial statements in order for them to be in conformity with generally accepted accounting principles.

The financial statements for the year ended December 31, 1991, were audited by me and I expressed an unqualified opinion on them in my report dated March 19, 1992, but I have not performed any auditing procedures since that date.

Certified Public Accountant

Dallas, Texas
May 14, 1992

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
March 31, 1992 and December 31, 1991

ASSETS

	March 31, 1992	December 31, 1991
Current assets:		
Cash and cash investments	$ 111,280	$ 150,581
Accounts receivable (Note 3)	39,780	23,228
Refundable federal income taxes	5,945	5,945
Total current assets	157,005	179,754
Property and equipment (Note 5):		
Gas and oil properties (successful efforts method)	2,110,045	2,030,246
Office and transportation equipment	18,249	18,249
	2,128,294	2,048,495
Less accumulated depletion and depreciation	(981,670)	(946,851)
Total property and equipment	1,146,624	1,101,644
Other assets:		
Officer's note receivable (Note 4)	35,708	34,837
Organizational cost	4,954	4,954
Cost on excess of amount assigned to net assets of subsidiary at date of acquisition	337,000	337,000
	377,662	376,791
Less accumulated amortization	(240,589)	(238,730)
Total other assets	137,073	138,061
	$ 1,440,702	$ 1,419,459

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
Current liabilities:		
Accounts payable	$ 33,562	$ 28,001
Accrued expenses	24,770	24,770
Accrued federal income taxes	-	-
Total current liabilities	58,332	52,771
Stockholders' equity:		
Common stock, no par value, 6,000,000 shares authorized, $150,000 stated value. Issued and outstanding, 1991 - 4,243,560 shares; 1990 - 4,243,560 shares (Note 7)	150,000	150,000
Capital in excess of stated value	1,230,134	1,230,134
Retained earnings (deficit)	2,236	(13,446)
Total stockholders' equity	1,382,370	1,366,688
	$ 1,440,702	$ 1,419,459

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
For the three months ended March 31, 1992 and 1991

	For the three months ended March 31,	
	1992	1991
Sales:		
Gas and oil	$ 78,295	$ 50,490
Cost of sales:		
Production taxes	5,249	3,788
Well operating expense	17,044	14,381
	22,293	18,169
Gross profit on sales	56,002	32,321
Expenses:		
Dry hole expense	-	6,889
Depletion	34,013	29,324
Depreciation and amortization	2,666	2,703
General and administrative	1,550	1,666
Taxes	-	371
Legal, auditing and accounting	4,379	2,862
	42,708	43,815
Net (loss) from operations	13,294	(11,494)
Other income:		
Interest income	2,388	6,844
Income (loss) before taxes	15,682	(4,650)
Income taxes (Note 6)	-	-
NET INCOME (LOSS)	$ 15,682	$(4,650)
Earnings (loss) per share (Note 7):		
Assuming no dilution	$ .00	$ .00
Assuming full dilution	$ .00	$ .00

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the three months ended March 31, 1992
and the year ended December 31, 1991

	Common Stock, No Par Value	Capital in Excess of Stated Value	Retained Earnings (Deficit)	Total
Balance at December 31, 1990	$ 150,000	$ 1,230,134	$ 41,536	$ 1,421,670
Net loss for the year 1991	-	-	(54,982)	(54,982)
Balance at December 31, 1991	150,000	1,230,134	(13,446)	1,366,688
Net income for the period	-	-	15,682	15,682
Balance at March 31, 1992	$ 150,000	$ 1,230,134	$ 2,236	$ 1,382,370

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended March 31, 1992 and 1991

	For the three months ended March 31,	
	1992	1991
Cash flows from (to) operating activities:		
Net earnings (loss)	$ 15,682	$(4,650)
Adjustments to reconcile net earnings to net cash provided by (to) operating activities:		
Depreciation, depletion and amortization	36,679	32,027
Decrease (increase) in accounts receivable	(16,552)	16,203
Increase (decrease) in accounts payable	5,560	1,738
Increase (decrease) in accrued federal income taxes	-	(25,000)
Net cash from operating activities	41,369	20,318
Cash flows from (to) investing activities:		
Investment in oil and gas properties	(79,799)	(35,146)
Loan (to) payment from corporate officer	(871)	13,589
Net cash used by investing activities	(80,670)	(21,557)
Cash flows from (to) financing activities:		
None	-	-
Net cash used by financing activities	-	-
Net increase (decrease) in cash	(39,301)	(1,239)
Cash at beginning of period	150,581	31,693
Cash at end of period	$ 111,280	$ 30,454
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ -	$ -
Federal income taxes	$ -	25,000

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992

NOTE 1 - ORGANIZATION

Gladstone Resources, Inc. was incorporated in the State of Washington on July 19, 1916. In March, 1973, the company acquired 100% ownership of Brooks NM, Inc., a Texas corporation (now named NM Corporation).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On an accrual basis, the company uses the successful efforts method of accounting. This method follows the premise that an enterprise is to capitalize only those costs it incurs that directly result in an asset that has future benefits measured in terms of future cash flows.

For purpose of consolidation all intercompany transactions have been eliminated.

Depreciation, depletion and amortization are calculated using the straight-line and unit of production method over the estimated useful lives of the assets or production of the estimated recoverable oil and gas reserves. Organization expenses are amortized on a straight-line basis using an estimated useful life of 40 year.

Investment tax credits are accounted for as a reduction of income tax expense in the year they are utilized under the flow-through method.

There were no significant non-cash investing or financing activities during the period ending March 31, 1992 or 1991.

NOTE 3 - ACCOUNTS RECEIVABLE

Of the net revenue interest amount of $39,780 due from the New Mexico, Texas and Ohio wells at March 31, 1992, $23,905 has been received from the operators as of the date of this report.

NOTE 4 - OFFICER'S NOTE RECEIVABLE

Mr. E. B. Brooks, Jr., borrowed $260,000 on March 13, 1990. The note stipulates that the principal and 10% interest is to be paid to Gladstone Resources, Inc. on March 13, 1991. The note is unsecured. The board of directors authorized the loan and approved the renewal. $260,000 has been paid on the interest and principal during 1991. The balance due from Mr. Brooks of $35,708.42 is now on a demand due date.

NOTE 5 - PROPERTY AND EQUIPMENT

Gas and oil properties

In March, 1973, Gladstone Resources, Inc. acquired 100% ownership of Brooks NM, Inc. (NM Corporation), a Texas corporation, in exchange for 338,000 shares of common stock. An additional 115,000 shares of common stock were issued October 12, 1975, in further consideration for additional capital costs incurred in securing price increases.

NM Corporation owns a 28.71% net revenue interest in 8 producing gas wells in San Juan County, New Mexico.

During April, 1986, the operator of the gas wells from the San Juan County, New Mexico properties suspended production due to the purchaser not agreeing to continue to pay the contracted sales price of the gas. The 1986, 1987 and 1988 estimated production has been used to reduce the reserves at December 31, 1986, 1987 and 1988 since the estimated production for 1986, 1987 and 1988 may never be recovered. In 1989 production resumed on 8 of 12 wells. Due to the non-production and other problems discovered when the wells were put back on production, four of the wells that will not produce gas were written off in 1990.

In 1990, the company received $707,961 for settlement of all contractual gas purchase obligations on the New Mexico wells. The loss associated with the four non-productive wells has been attributed to the non-production by the former purchaser.

On January 1, 1982, Gladstone Resources, Inc. purchased producing properties for $550,000 in Kent County, Texas. Previously in 1981, Gladstone purchased a 6.25% interest in a 207 acre lease with one producing well. The 1982 purchase consists of four leases on 3,035 acres and currently has 68 producing wells. The reserves on some of the properties were reduced in 1990 due to production declines.

In 1990 and 1991, the company participated in successful wells in Pecos, Schleicher, Freestone and Madison counties in Texas.

A summary of changes in the company's gas reserves (in MCF's) is as follows (oil reserves have been included as MCF's by multiplying barrels by 6). ALL RESERVE AMOUNTS INCLUDING THE REVISIONS HAVE BEEN FURNISHED BY MANAGEMENT. There are no "proved undeveloped reserves" according to management other than in Schleicher county.

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

	Total for United States	
	March 31, 1992	December 31, 1991
Beginning of period (Jan.1)	1,184,689	1,091,080
Additions through exploration of new leases (2)	1,000,000	304,000
Adjustment to reserve (1)	31,805	(83,619)
Production (total to date)	(46,032)	(126,772)
Balance at end of period	2,170,462	1,184,689

(1) Based on reevaluation of estimated reserves by management. The estimates were based on current production levels of all properties.

(2) Estimated reserves for Schleicher county gas well are included for 1992.

NOTE 6 - FEDERAL AND STATE INCOME TAXES

A reconcilement of net income per the books to taxable income for the year ended December 31, 1991, is as follows:

	1991
Book income (loss) before income taxes	$(60,927)
Add (deduct):	
Non-producing properties written off	-
Amortization of cost in excess of amount of net assets of subsidiary	7,778
Intangible development costs for taxes	(38,900)
Cost depletion for taxes less than book/cost depletion	70,544
Statutory depletion for taxes	-
Tax depreciation in excess of books	(18,127)
Taxable income (loss)	$(39,632)

(continued)

NOTE 6 - FEDERAL AND STATE INCOME TAXES (continued)

Investment tax credit carryovers consist of:

From Year Ending	Expires	Amount
12-31-77	12-31-92	$ 12
12-31-79	12-31-94	4,022
12-31-80	12-31-95	2,223
12-31-81	12-31-96	1,600
12-31-82	12-31-97	8,531
12-31-83	12-31-98	872
12-31-84	12-31-99	384
		$ 17,644

The company files a consolidated tax return.

NOTE 7 - COMMON STOCK

On May 24, 1991, the Spokane Stock Exchange closed and terminated trading in the stock of all companies listed on the exchange. Currently the stock of Gladstone is not being traded on any exchange.

Gladstone Resources, Inc. was incorporated in the State of Washington on July 19, 1916. For many years the company was relatively inactive. During this period of inactivity some of the stockholder ledger cards disappeared. Considerable effort was made to reconstruct the stockholder list and the resulting ledger cards were placed with an independent stock transfer agent in 1972. In January, 1973, Gladstone Resources, Inc. had a 1 for 4 reverse stock split. To date, 102,371 shares not listed in the stock ledger books in 1973 have been issued.

Currently there are no outstanding stock options.

The following shares of common stock were outstanding for the periods under report.

	March 31, 1992	December 31, 1991
Common stock, no par value	4,243,560	4,243,560

NOTE 8 - MAJOR CUSTOMERS

The company has two customers which represent 27% and 25% of their total revenue in 1991.

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

Q92-2232

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

D BY
3-13
1992

For the transition period from ______ to ______

Commission File
No. 2-72232

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GREAT EASTERN ENERGY AND DEVELOPMENT CORPORATION
(Exact name of registrant as specified in its charter)

134

COMMONWEALTH OF VIRGINIA (State or other jurisdiction of incorporation or organization)	54-1082057 (IRS Employer Identification No.)

5990 Greenwood Plaza Blvd., Suite 116
Englewood, Colorado 80111
(Address of principal executive offices)

Registrant's telephone number, including area code: (303) 773-6016

NONE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No_____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1992
Common Stock, $.10 par value	18,844,245

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GREAT EASTERN ENERGY AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

INDEX

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Consolidated Statement of Cash Flows............... 5

Notes to Consolidated Financial Statements......... 6

Management's Discussion and Analysis of Financial Condition and Results Of Operations............... 8

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GREAT EASTERN ENERGY AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
	(In thousands)	
CURRENT ASSETS		
Cash	$ 136	$ 72
Certificates of deposit	565	565
Receivables, net of allowance for doubtful accounts of $241,000 and $263,000 in 1992 and 1991	286	317
Prepaid expenses and other current assets	14	26
Total current assets	1,001	980
OIL AND GAS PROPERTIES, at cost (accounted for using the successful efforts method)		
Proved oil and gas properties	11,080	11,241
Undeveloped leaseholds	392	388
Pipeline equipment	1,008	995
Equipment inventory	113	102
	12,593	12,726
Less accumulated depreciation, depletion, amortization and impairment	(9,564)	(9,620)
	3,029	3,106
OTHER ASSETS	335	343
	$4,365	$4,429
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 12	$ 12
Accounts payable and accrued expenses	193	199
Total current liabilities	205	211
NOTES PAYABLE	64	65
CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY		
Preferred stock, $10.00 par value, 4,000,000 shares authorized, none issued or outstanding		
Common stock, $.10 par value, 40,000,000 shares authorized, 18,844,245 shares issued and outstanding	1,884	1,884
Additional paid-in capital	29,242	29,242
Accumulated deficit	(26,985)	(26,928)
Notes receivable - officers	(45)	(45)
Total shareholders' equity	4,096	4,153
	$4,365	$4,429

The accompanying notes are an integral part of the consolidated financial statements.

GREAT EASTERN ENERGY AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months ended March 31, 1992	Three Months ended March 31, 1991
	(In thousands, except per share amounts)	
REVENUES		
Oil and gas sales	$ 384	$ 393
Gas transmission sales	215	73
Income from drilling arrangements		123
Interest	9	28
Other income		1
	608	618
EXPENSES		
Production costs	181	172
Cost of gas transmission	203	72
Cost of drilling arrangements		87
Depletion, depreciation and amortization	70	52
Impairment of oil and gas properties	25	
General and administrative	186	160
	665	543
NET INCOME (LOSS)	$ (57)	$ 75
NET INCOME (LOSS) PER SHARE	$ .00	$ .00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	18,844	18,844

The accompanying notes are an integral part of the consolidated financial statements.

GREAT EASTERN ENERGY AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (57)	$ 75
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Decrease in accounts receivable	31	62
(Increase) decrease in other current assets	12	(4)
Depletion, depreciation, amortization	70	52
Impairment of oil and gas properties	25	
Decrease in accounts payable and accrued expenses	(6)	(67)
Decrease in advances under drilling arrangements		(123)
Net cash provided by (used for) operating activities	75	(5)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in certificates of deposit		481
Additions to oil and gas properties	(10)	(450)
Increase in other assets		(14)
Net cash used for investing activities	(10)	(17)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of debt	(1)	(2)
INCREASE IN CASH	64	10
CASH AT BEGINNING OF PERIOD	72	54
CASH AT END OF PERIOD	$ 136	$ 64

The accompanying notes are an integral part of the consolidated financial statements.

GREAT EASTERN ENERGY AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The interim financial data are unaudited; however, in the opinion of Great Eastern Energy and Development Corporation and Subsidiaries ("Great Eastern" or the "Company"), the interim data include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. These financial statements should be read in conjunction with Great Eastern's December 31, 1991 audited consolidated financial statements and notes thereto included in Form 10-K.

The consolidated financial statements include the accounts of Great Eastern and its wholly-owned subsidiaries, Patton Oil Co. ("Patton"), Zoandra Petroleum, Inc. ("Zoandra") and Sycamore Valley Gathering, Ltd. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been recorded to the 1991 consolidated financial statements to conform with the 1992 presentation.

NOTE 2 - ACQUISITION OF PATTON OIL CO.

Patton Oil Co. v. McMahon, et al.

Under applicable law, Patton shareholders who dissented from the exchange offer of Company shares for Patton shares, completed in June 1985, were entitled to tender their shares and receive fair value for such shares in cash. Six shareholders holding 218,969 shares of Patton exercised their right to receive cash. The fair market value at the time of the exchange was determined by independent evaluation to be $.40 per share of Patton common stock. Patton made payment of $.40 per share for such stock and the dissenting shareholders made supplemental demands for cash payments of approximately $4.25 per share.

Management initiated suit to have the court determine the fair price. Final arguments were presented on February 17, 1989 at the District Court, Arapahoe County, Colorado ("District Court"). The District Court rendered a "preliminary judgment" in favor of the dissenting shareholders. However, on February 21, 1989, the court found that the fact that the Company had no knowledge of two expert opinion reports produced for the dissenting shareholders was critical to the ultimate findings of fact as to stock value.

The court granted a motion for post-trial relief and ordered that a new trial be granted. Upon completion of the second trial, the trial court rendered a decision in favor of the Company, finding the amount paid to the dissenting shareholders represented fair value for their shares.

On April 27, 1990, the dissenting shareholders filed an appeal. The Company filed a cross appeal seeking an award of its fees and expenses in the litigation on the grounds that the conduct of the dissenters was vexatious and not in good faith. Oral arguments were heard by the Colorado Court of Appeals ("Court of Appeals") on July 16, 1991. The Court of Appeals rendered its decision in favor of the dissenting shareholders on August 22, 1991. The decision upheld the "preliminary judgment" rendered by the District Court.

The Company, on September 4, 1991, contested the decision of the Court of Appeals, but was denied. Accordingly, on November 6, 1991 a motion was filed with the Supreme Court, State of Colorado, ("Supreme Court") to reverse the decision of the Court of Appeals. The motion also requested the Supreme Court uphold the "final judgment" rendered at the second trial by the District Court in favor of the Company. The Supreme Court denied the Company's motions and remanded the case back to the District Court. The District Court entered a judgment against Patton Oil Co., Great Eastern's wholly-owned subsidiary. The adverse judgment, if upheld, could be in an amount of $221,000, plus accrued interest of $228,000 at March 31, 1992, expenses and possibly attorney's fees, the amount of which is yet to be determined. The Company was denied a motion for post-trial relief, and has filed an appeal. Management continues to believe the amount paid to the dissenting shareholders represents the amount of their entitlement.

Should the Court of Appeals deny Patton Oil Co.'s appeal, and uphold the existing judgment, Great Eastern could exercise its rights to foreclose on a mortgage which is secured by all of Patton Oil Co.'s oil and gas assets, or transfer all of Patton Oil Co.'s oil and gas assets to Great Eastern in satisfaction of its debt in any bankruptcy proceeding that may be filed. Great Eastern acquired the mortgage notes and accrued interest from a bank on September 11, 1986. As of March 31, 1992, the mortgage notes ($3,983,676) and the accrued interest ($2,562,388) aggregate $6,546,064.

GREAT EASTERN ENERGY AND DEVELOPMENT CORPORATION AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

First quarter 1992 Compared to First quarter 1991. The Company's first quarter fiscal 1992 operations reflected a net loss of $57,000 as compared to net income of $75,000 for the corresponding quarter of fiscal 1991. Declining sales volumes from maturing oil wells and the continued depression of product prices have resulted in decreased net revenue from oil and gas operations despite a continued increase to natural gas sales volumes. Natural gas sales volumes should increase throughout the remainder of fiscal 1992 as coalbed methane gas wells are completed and connected to the gathering system.

An increase to production volumes from the Company's coalbed methane gas wells has contributed to an improvement in gas transmission sales despite a decline in product prices. The volume increase has contributed to a profit of $12,000 from natural gas transmission operations for the first quarter of fiscal 1992 as compared to break even results for the corresponding quarter of fiscal 1991. During the second quarter of fiscal 1992, gas transmission operations will benefit from replacement of the Company's last more-costly rental compressor with a Company-owned compressor.

During 1990, Great Eastern entered into a drilling arrangement under a ten-well program with an unaffiliated third party. By the terms of the agreement, Great Eastern drilled and completed the wells for a turnkey sales price of $366,000. Based on the percentage complete at December 31, 1990 of 66%, Great Eastern recognized income from drilling arrangements of $243,000 and cost of drilling arrangements of $184,000. The remaining income from drilling arrangements of $123,000 and cost of drilling arrangements of $87,000 were reflected in operations during the first quarter of fiscal 1991. Associated with the drilling arrangement, Great Eastern sold its entire economic interest in the area of interest in exchange for a $300,000 production payment. The production payment will be paid out of a percent of program net income over a period not to exceed 12 years. The Company will recognize revenue from the production payment as the program generates net income, as defined in the agreement.

Fiscal 1992 interest income decreased as a result of a decrease in funds available to earn interest through the first quarter of fiscal 1991 as funds were invested in oil and gas properties, primarily the coalbed methane gas wells. Also rates for interest earned declined dramatically from 1991 to 1992.

Depreciation, depletion and amortization increased to $70,000 for the first quarter of fiscal 1992 as compared to $52,000 during the corresponding quarter of fiscal 1991. The increase resulted from greater production volumes associated with the Company's coalbed methane gas wells. Impairment of oil and gas properties increased by and to $25,000 during the first quarter of fiscal 1992. Certain of the Company's undeveloped acreage in southeastern Kansas may not be evaluated within a prescribed period and, therefore, have been impaired.

Current Operations

Great Eastern is currently conducting drilling and completion operations in southeastern Kansas. The wells are designed to evaluate coalbeds for methane gas production.

Liquidity and Capital Resources

Working Capital. The Company had working capital of $.8 million at March 31, 1992 and December 31, 1991. The Company has no bank debt and no oil and gas properties are pledged as collateral. Management believes that the Company's liquidity is adequate to meet operating activities for fiscal 1992. Oil and gas development activities will be funded solely from excess cash generated from operations or, should the Company sell all or a portion of its southeastern Kansas coalbed methane gas wells, from proceeds from the sale.

Future Operations. Efforts will continue to farmout high risk exploratory prospects from the Company's inventory to oil and gas companies with greater resources. Given the present economic condition in the industry, no assurance can be made that the Company will be successful in its efforts. With respect to its production activities, management will fund only those activities that have a high liklihood of giving the Company a reasonable return on its investment given the current price of oil and gas.

Because the Company's coalbed evaluation in southeastern Kansas has been successful, management has proposed the drilling of several additional wells in the area. However, as discussed in "Working Capital" above, drilling will be funded solely by cash generated from operations or from the sale of all or a portion of the coalbed methane gas wells. Should the wells be drilled and found commercially productive, additional costs may be required to extend the gathering system.

Legal Proceeding. The Company's liquidity position may be affected by the results of presently pending litigation.

Patton Oil Co. v. McMahon, et al.

Under applicable law, Patton shareholders who dissented from the exchange offer of Company shares for Patton shares, completed in June 1985, were entitled to tender their shares and receive fair value for such shares in cash. Six shareholders holding 218,969 shares of Patton exercised their right to receive cash. The fair market value at the time of the exchange was determined by independent evaluation to be $.40 per share of Patton common stock. Patton made payment of $.40 per share for such stock and the dissenting shareholders made supplemental demands for cash payments of approximately $4.25 per share.

Management initiated suit to have the court determine the fair price. Final arguments were presented on February 17, 1989 at the District Court, Arapahoe County, Colorado ("District Court"). The District Court rendered a "preliminary judgment" in favor of the dissenting shareholders. However, on February 21, 1989, the court found that the fact that the Company had no knowledge of two expert opinion reports produced for the dissenting shareholders was critical to the ultimate findings of fact as to stock value.

The court granted a motion for post-trial relief and ordered that a new trial be granted. Upon completion of the second trial, the trial court rendered a decision in favor of the Company, finding the amount paid to the dissenting shareholders represented fair value for their shares.

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Should the Court of Appeals deny Patton Oil Co.'s appeal, and uphold the existing judgment, Great Eastern could exercise its rights to foreclose on a mortgage which is secured by all of

Patton Oil Co.'s oil and gas assets, or transfer all of Patton Oil Co.'s oil and gas assets to Great Eastern in satisfaction of its debt in any bankruptcy proceeding that may be filed. Great Eastern acquired the mortgage notes and accrued interest from a bank on September 11, 1986. As of March 31, 1992, the mortgage notes ($3,983,676) and the accrued interest ($2,562,388) aggregate $6,546,064.

PART II - OTHER INFORMATION

Item 1 - Material developments in connection with legal proceedings are incorporated herein reference to Part I, Notes to the Consolidated Financial Statemenst, pages 6 and 7, and Management's Discussion and Analysis of Financial Condition and Results of Operations, pages 9 through 11, of this Form 10-Q.

Items 2, 3, 4, 5 and 6 are not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GREAT EASTERN ENERGY AND
DEVELOPMENT CORPORATION
(Registrant)

Date: May 14, 1992

By ______________________
Donald G. Jumper
President, Chief Executive
Officer, Chief Financial
and Accounting Officer
and Director

0 20934
Q-34972

OMB NUMBER: 3235-00070
EXPIRES: June 30, 1994

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

K92-2232

For the quarterly period ended: June 30, 1992

Commission File No.: 33-11309

THE IDAHO COMPANY
(Exact name of registrant as specified in its charter)

IDAHO	82-0410913
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

102 S. 17th Street, Suite 201, Boise, Idaho 83702
(Address of principal executive offices) (Zip Code)

(208) 344-6308
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

163,453 shares of common stock, $10 par value, were outstanding as of June 30, 1992.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial information set forth herein is unaudited and reflects all adjustments which are, in the opinion of management, necessary to the presentation of a fair statement of the interim period presented.

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THE IDAHO COMPANY
BALANCE SHEETS

	June 30, 1992	December 31, 1991
ASSETS		
CURRENT ASSETS		
Cash	79,351	140,081
Investments	801,459	953,919
Interest and other receivables	10,337	13,745
Prepaid Expenses	4,401	17,164
Current portion of notes receivable	122,297	21,990
Total Current Assets	1,017,845	1,146,899
INVESTMENTS	91,338	135,746
NOTES RECEIVABLE, net of allowance for loan loss	153,050	47,117
EQUITY INVESTMENTS	20,000	
OFFICE EQUIPMENT, NET	3,428	4,963
OTHER ASSETS, NET	7,926	7,926
TOTAL ASSETS	$1,293,587	$1,342,651
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current Portion, Note Payable	$ 29,501	$ 28,278
Payroll Tax Payable	206	202
Total Current Liabilities	29,707	28,480
NOTE PAYABLE (Note B)	2,797	19,173
STOCKHOLDERS' EQUITY		
Common stock, $10 par value, 500,000 shares authorized, 163,453 shares issued and outstanding as of June 30, 1992 and December 31, 1991	1,634,530	1,634,530
Accumulated Deficit	(373,447)	(339,532)
	1,261,083	1,294,998
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$1,293,587	$1,342,651

THE IDAHO COMPANY

STATEMENTS OF OPERATIONS

	Quarter Ended June 30, 1992	Year-to-Date June 30, 1992	Quarter Ended June 30, 1991	Year-to-Date June 30, 1991
REVENUE				
Consulting Income	$ 923	$ 923	$	$ 3,500
Interest Income - Loans	7,834	11,446		
Interest Income - TCD	14,259	31,551	25,008	49,015
Interest Income - Other	440	1,447	1,094	2,761
Loan Fees	861	1,211		
Other Income			59	59
Total Revenue	24,317	46,578	26,161	55,335
EXPENSES				
Operating Expenses	40,276	78,595	37,575	79,245
Depreciation	651	1,535	910	1,821
Amortization			6,937	13,872
Total Expenses	40,927	80,494	45,422	94,938
NET LOSS	$(16,610)	$(33,916)	$(19,261)	$ (39,603)
AVERAGE NUMBER SHARES OUTSTANDING	163,453	163,453	163,123	163,123
LOSS PER SHARE OF COMMON STOCK	(.10)	(.21)	(.12)	(.24)

THE IDAHO COMPANY
STATEMENTS OF CASH FLOWS

	Year-to-Date June 30, 1992	Year-to-Date June 30, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (33,915)	$ (39,603)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,535	15,375
Provision for loan losses	7,472	2,400
Changes in operating assets and liabilities:		
Decrease (increase) in interest receivable	3,408	(1,658)
Decrease (increase) in prepaid expenses	12,764	12,380
Increase (decrease) in accrued liabilities	1,227	1,065
Total adjustments	26,406	29,562
NET CASH USED IN OPERATING ACTIVITIES	(7,510)	(10,041)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(454,858)	(644,489)
Maturities of certificates of deposit	651,726	629,945
Loans issued	(228,818)	
Purchases of equity interest	(20,000)	
Principal payments on loans receivable	15,105	
Proceeds from disposal of office equipment		425
NET CASH USED IN INVESTING ACTIVITIES	(36,845)	(14,119)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(16,375)	(15,046)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(16,375)	(15,046)
INCREASE (DECREASE) IN CASH	(60,730)	(39,206)
CASH AT BEGINNING OF PERIOD	140,081	98,312
CASH AT END OF PERIOD	$ 79,351	$ 59,106

THE IDAHO COMPANY

NOTES TO FINANCIAL STATEMENTS

Quarter Ended June 30, 1992

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is a licensed Business and Industrial Development Corporation which seeks to improve capital availability to new, emerging and expanding businesses within Idaho. The Company was formed to promote, stimulate, develop and advance the business prosperity of Idaho and its citizens. Because of the civic nature of the Company, corporate profitability is not the primary goal of the Company. The primary source of operating revenue of the Company is from interest on investments and fees charged for loans and other services rendered in providing assistance to businesses currently operating or seeking to expand in Idaho.

Unaudited Interim Financial Statements
In the opinion of management, the accompanying financial statements contain all adjustments necessary to fairly represent the financial position of The Idaho Company and the results of operations and cash flows.

This report on Form 10-Q for the quarter ended June 30, 1992, should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 1991, and quarterly report on Form 10-Q for the quarter ended March 31, 1992.

Income Taxes
No provision for income taxes is required. The Company has operating loss carry-forwards of approximately $201,000 which expire between 2002 and 2005.

Cash Flows
The Company defines cash equivalents as highly liquid, short-term investments with an original maturity of three months or less. There were no cash equivalents at June 30, 1992.

Investments
Investments consist of FDIC and FSLIC insured certificates of deposit which are carried at cost and earn interest at rates ranging from 7.00 to 4.25 percent.

Cash and Cash Equivalents
With the exception of a nominal operating account, all cash earns interest at current market rates.

Notes Receivable
The Company makes commercial loans to Idaho small businesses to stimulate economic activity through job creation. Loans are reported at the principal amount outstanding, net of an allowance for estimated loan losses. Loans earn interest at prevailing market rates.

Allowance for Loan Losses

As new loans are placed on the Company's books, two percent of the loan amount is credited to allowance for loan losses. In order to further increase the allowance, an additional $300 a month is being credited to the account.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity

The Company has obtained a $250,000 revolving line of credit at an interest rate of Prime plus one half of one percent which is presently unutilized. Certificates of deposit mature monthly, providing adequate liquidity to meet loan funding requirements. Loan commitments outstanding at June 30, 1992 totalled $153,004.

Capital Resources

State legislation was passed during 1991 creating an Economic Development Financing Account which will be administered by the Idaho Department of Commerce and will grant funds to Idaho BIDCOs. The Company believes, dependent upon the flow of state revenues during the July 1, 1992 to June 30, 1993 fiscal year, an appropriation may be made to the currently unfunded Economic Development Financing Account. If an appropriation is made during the 1993 legislative session, the Idaho Department of Commerce will issue a request for proposals to which existing and proposed BIDCOs, including the Company, will respond. If the Company's proposal is successful, additional capitalization will likely be received during the 1993 fiscal year. Additional capitalization will result in increased lending and investing activities by the Company, and increased interest income.

The Company is in the process of obtaining an exemption from the reporting requirements of the Investment Company Act of 1940 (the "Act"). The Company's initial request for exemption was filed with the Securities and Exchange Commission on February 9, 1990. The Company's Amendment No. 3 was filed with the SEC on April 9, 1992. If relief is granted, the Company expects to utilize more than 40% of assets in the granting of loans and making of equity investments for the purpose of assisting Idaho's economic development through job creation and retention.

The costs of complying with the reporting requirements of the Investment Company Act of 1940 are administratively and financially prohibitive for a small company such as the Company which has assets of less than $1.5 million. Accordingly, The Idaho Company has had to restrict lending and equity investment activities to 40% of assets until such time as an exemption from the reporting requirements of the Act could be obtained.

As a result, The Idaho Company board of directors are contemplating the future viability of the Company. The 40 percent restriction causes income flows to be severely reduced, exacerbating operating losses. The restriction further prohibits the Company from fulfilling its charter to assist emerging and expanding Idaho businesses that create job opportunities for Idaho citizens. If it is determined that the company cannot feasibly continue, the directors will consider liquidation of the Company and return the remaining capital to the shareholders.

Results of Operations

The quarter ended June 30, 1992 resulted in a net loss of $16,610 compared to a net loss of $19,261 for the quarter ended June 30, 1991. The Company has significantly increased its lending and equity investment activities; however, these activities have been offset by historically low interest rates. Loans earn market rates with premiums based on risk factors. Participation fees are frequently taken in conjunction with lending activities. Year-to-date results compare favorably with management's original projections for 1992 operations.

Shareholders equity on June 30, 1992, was $1,261,083 compared to $1,294,998 on December 31, 1991 and $1,393,925 on June 30, 1991. All subscriptions remaining from the offering commenced on December 22, 1987 were paid in during 1991.

It is expected that 1992 expenses will exceed 1992 revenues. Interest rates in 1992 are projected to continue at historically low levels. The year to date loss for 1992 is essentially in line with budgeted projections. Since year end 1991, interest rates have drop substantially below management's estimates; therefore, management projects that the operating loss for 1992 may be greater than the operating loss for 1991.

Due to the nature and purpose of The Idaho Company, profit is not the overriding motivation. The Company does not intend to pay, nor obligate itself to pay, a cash dividend nor dividend in kind to its shareholders unless that payment is consistent with Company capital and profitability and has been approved by the Director of the Department of Finance of the State of Idaho.

The Company does not intend to buy back or obligate itself to buy back any shares of stock from shareholders.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings. None.

Item 2. Changes in Securities. None.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company held its fourth annual meeting of shareholders on April 15, 1992. Reference is made to the proxy statement, attached hereto as Exhibit 1.

Ninety percent of all shares outstanding were voted at the meeting. Director whose terms expired at this meeting and who were re-elected to serve three-year terms were as follows:

Dennis R. Curtis
Judd W. DeBoer
Eugene D. Heil
Art E. Helbling
Sumner M. Johnson
R. J. O'Connor
Jack W. Shaver

In addition, shareholders ratified the appointment of directors James E. Risch and Pete Van Der Muelen to fill the positions of retiring directors William Bridenbaugh and Donald J. Shaughnessy. Mr. Risch's and Mr. Van Der Muelen's terms of office will expire at the 1994 annual meeting of shareholders.

Reference is made to Page 4 of Exhibit 1 for a list of directors with unexpired terms of office who have continued to serve following the annual meeting of shareholders.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOR THE IDAHO COMPANY

President and Chief Accounting Officer

Date July 10, 1992

EXHIBIT 1

PROXY STATEMENT

The Proxy Statement will first be sent to shareholders on or about March 20, 1992.

The accompanying proxy is solicited on behalf of The Board of Directors of The Idaho Company for use at the Annual Meeting of Shareholders to be held in the Selway Room of the Red Lion Downtowner, 1800 Fairview Avenue, Boise, Idaho, on April 15, 1992 at 10:00 a.m., and at any adjournments thereof.

The cost of the solicitation of proxies will be paid by the Company. In addition to solicitation by mail, employees of the Company may request the return of proxies personally, by mail, or by telephone.

All valid proxies received, unless revoked, will be voted at the meeting as directed by the shareholder. If no direction is given, proxies received will be voted FOR the proposals set forth. Proxies are revocable at any time prior to the exercise thereof by notice in writing to the Secretary or by giving oral notice at the meeting.

The close of business on March 15, 1992, has been fixed as the record date for the determination of shareholders entitled to notice of the meeting and to vote at the meeting.

The outstanding voting securities of the Company as of the record date for the meeting are 163,453 shares, at $10 par value, each share being entitled to one vote.

Shareholders representing a majority of the voting power must be represented at the meeting, in person or by proxy, in order to constitute a quorum for the transaction of business.

PROPOSAL 1
NOMINATION AND ELECTION OF DIRECTORS

The proxies received will be voted FOR the election of nominees named herein unless otherwise indicated.

The following persons are nominated for election as Directors for a three-year term or until their successors are elected and have qualified.

Dennis R. Curtis
Judd W. DeBoer
Eugene D. Heil
Art E. Helbling
Sumner M. Johnson
R. J. O'Connor
Jack W. Shaver

During 1991, the following persons were unanimously elected by the board to fill the positions of retiring directors William Bridenbaugh of Boise and Donald J. Shaughnessy of Sun Valley. The board seeks shareholder ratification of the election of these directors. Their terms of office would expire at the 1994 annual meeting of shareholders.

James E. Risch
Pete Van Der Muelen

Together with other Directors presently in office, these nominees will constitute the entire elected Board of Directors.

The following information is furnished with respect to each of the nominees for election as Directors, as well as for Directors whose terms of office will not expire at this Annual Meeting of Shareholders.

Nominees	Principal Occupation During the Past Five Years	Director Since	Present Term Expires	Age
Dennis R. Curtis	Manager, Idaho Operations, Evans Grain & Elevator Company, Rupert, ID	1987	1992	54

Nominees	Principal Occupation During the Past Five Years	Director Since	Present Term Expires	Age
Judd W. DeBoer	President and Director, Brundage Mountain Company (ski resort), McCall, ID; President and Director, Osprey Resorts, Inc. (condo management), McCall ID; President and Director, Brown's Industries (diversified interests), Boise, ID	1987	1992	53
Eugene D. Heil	President and CEO, The Idaho Company, Boise, ID; Past Director and Chief Operating Officer, Key Bank of Idaho, Boise, ID	1989	1992	57
Art E. Helbling	General Manager, Helbling Bros., Inc. (farm equipment dealership), Moscow, ID	1987	1992	73
Sumner M. Johnson	Chairman of the Board, J-U-B Engineers, Inc., Boise, ID Past President, Nampa Industrial Development Corp., Nampa, ID	1990	1992	67
R. J. O'Connor	Retired Chairman and CEO, Idaho Power Company, Boise, ID; Director, Key Bank of Idaho, Boise, ID	1986	1992	64
James E. Risch	Attorney and Senior Partner, Risch, Goss, Insinger & Salladay, Boise, ID	1991	1992	48
Jack W. Shaver	President, Shaver Industrial, Inc. (machine shop & light steel manufacturing), Pocatello, ID; Partner, Shaver Associates (engineering consulting), Salt Lake City, UT	1988	1992	57
Pete Van Der Muelen	Chairman of the Board, POWER Engineers, Inc., Hailey, ID	1991	1992	47

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ABOVE NOMINEES.

DIRECTORS WITH UNEXPIRED TERMS OF OFFICE

Nominees	Principal Occupation During the Past Five Years	Director Since	Present Term Expires	Age
John A. Church	Attorney at Law, Lewiston, ID	1987	1993	51
Ted E. Ellis	Retired Chairman of the Board, Key Bank of Idaho, Boise, ID	1986	1993	64
Kirk L. Hansen	President & Owner, Hansen Oil Company (oil distribution), Soda Springs, ID Mayor, City of Soda Springs	1987	1994	43
C. E. "Gene" Hill	Vice President, US WEST Communications, Boise, ID	1986	1993	64
David O. Kingston	President and CEO, Kingston Produce Company, Inc. (potato grower and shipper), Ucon, ID	1988	1993	44
Harry F. Magnuson	Partner, H. F. Magnuson & Company (diversified interests), Wallace, ID; Partner, Magnuson, McHugh & Company (CPA firm), Wallace, ID; Chairman, Clayton Silver Mines, Inc., Wallace, ID; Director, Albertsons, Inc., Boise, ID; Director, GTE Northwest, Everett, WA	1987	1993	69
Tony Moss	President, American Fine Foods, Inc. (food processing/canning), Payette, ID	1989	1994	38
Thomas R. Paine	Manager, Governmental Relations, Washington Water Power Company, Spokane, WA	1990	1994	42
Lee Wagner	Vice President and General Manager, KMVT Broadcasting, Inc., Twin Falls, ID	1991	1994	40
Richard D. Westerberg	Vice President, Rocky Mountain Region, Utah Power & Light Co., Preston, ID	1989	1993	42

SECURITY OWNERSHIP

The following companies, whose representatives are certain incorporators of the Company, have purchased shares which have been paid for over a two-year period in a private placement and are the beneficial owners of more than five percent (5%) of the stock of the Company:

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Outstanding Shares
Albertsons, Inc.	10,000	6.12%
Key Bank of Idaho	10,000	6.12%
Idaho Power Company	20,000	12.24%
Piper, Jaffray & Hopwood	10,000	6.12%
West One Bank, Idaho, NA	12,500	7.65%
Aggregate Shares of Beneficial Owners	62,500	38.25%

The following directors of the Company have purchased shares individually or are principal owners of companies that have purchased shares in The Idaho Company as of March 15, 1992:

Director or Officer	Shares of Common Stock Beneficially Owned	Percent of Outstanding Shares
John A. Church	500	.31%
Dennis R. Curtis	40	.03%
Judd W. DeBoer	200[1]	.13%
Eugene D. Heil	50	.03%
Art E. Helbling	500[2]	.33%
Sumner M. Johnson	100[3]	.06%
Harry F. Magnuson	700[4]	.39%
Robert J. O'Connor	110	.07%
James E. Risch	1,000[5]	.61%
Pete Van Der Muelen	50[6]	.03%
Aggregate shares owned by directors and officers	3,250	1.99%

---

[1] 100 shares owned by Brown's Industries, Inc., of which Mr. DeBoer is owner, and 100 shares owned by Brundage Mountain Company, of which Mr. DeBoer is a 50% owner.

[2] Shares owned by Helbling Land & Investment, of which Mr. Helbling is a partner.

[3] Shares are owned by J-U-B Engineers, Inc., of which Mr. Johnson is a principal.

[4] 100 shares owned by Magnuson McHugh & Co., of which Mr. Magnuson is a principal; 300 shares owned by H. F. Magnuson & Company, of which Mr. Magnuson is a partner; and 300 shares owned by Lewiston Center, of which Mr. Magnuson is a principal.

[5] Shares owned by Risch, Goss, Insinger & Salladay, of which Mr. Risch is Senior Partner.

[6] Shares owned by POWER Engineers, Inc., of which Mr. Van Der Muelen is a principal.

MEETINGS OF THE BOARD AND COMMITTEES

The Board of Directors met four times (once each calendar quarter) in 1991. In addition, members of the board serving on the Executive Committee met six times to transact business pertaining to loan requests, corporate policy, and board composition. The Company does not have standing audit or compensation committees. The following committee has been established by the board:

> **Executive Committee**. The purpose of the Executive Committee is to act upon various matters including the approval of loans, investments, and other financing requests. Pursuant to the Company's By-laws, the Committee may exercise all powers of the board which may be lawfully delegated. Members of the Executive Committee are Judd DeBoer, Ted E. Ellis, Eugene D. Heil, Art E. Helbling, Sumner M. Johnson, R. J. O'Connor, and Jack W. Shaver.

DIRECTOR COMPENSATION

There is currently no compensation paid to the directors for their service on the board.

OFFICER AND EXECUTIVE COMPENSATION

As of the proxy date, the officers of the Company were Jack W. Shaver, Chairman of the Board; Eugene D. Heil, President and CEO; Sumner M. Johnson, Vice Chairman; and Ted E. Ellis, Secretary/ Treasurer. Directors Shaver, Johnson, and Ellis serve without compensation.

Mr. Heil, 57, was previously Executive Vice President and Chief Operating Officer of Key Bank of Idaho, formerly Idaho Bank & Trust. Mr. Heil has over 30 years experience structuring loans and equity investments. Mr. Heil was paid $30,000 annual salary in 1991, plus annual compensation of $3,744 for use of a personal car on Company business.

PROPOSAL 2
APPROVAL OF APPOINTMENT OF DELOITTE & TOUCHE AS INDEPENDENT AUDITORS

Deloitte & Touche, Certified Public Accountants, have served as independent auditors for the Company since 1987. Representatives of Deloitte & Touche are expected to be present at the Annual Meeting of Shareholders and will be available to respond to appropriate questions.

The Board of Directors has appointed Deloitte & Touche as the firm of independent certified public accountants to audit the books and accounts of the Company for the year ending December 31, 1992, subject to ratification by shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ABOVE PROPOSAL.

ANNUAL REPORT

The Company's 1991 annual report to shareholders, including financial statements, accompanies this Proxy Statement and will be mailed on or about March 20, 1992 to all shareholders of record as of March 15, 1992.

PROPOSAL OF SECURITY HOLDERS

Any proposal which a security holder intends to present for action at the Company's 1993 annual meeting (currently scheduled for April 21, 1993) must be received by the Secretary of the Company at the Company's offices, 102 S. 17th Street, Suite 201, Boise, Idaho by 5:00 P.M. on December 31, 1992, if it is to be considered for inclusion in the Proxy Statement for the Annual Meeting of Shareholders.

OTHER BUSINESS

The Board of Directors and management of the Company intend to bring before the meeting only the business matters referred to in the Notice of Meeting and this Proxy Statement. Neither the Board of Directors nor the management of the Company have been informed of any other matters which may be presented to the meeting by others. If any additional business comes before the meeting, or any adjournment thereof, the persons named in the proxy will vote on such matters in accordance with their best judgement.

It is requested that each shareholder who cannot attend the meeting send in his or her proxy or proxies without delay.

BOISE, IDAHO, March 5, 1992

By Order of the Board of Directors
Eugene D. Heil, President & CEO

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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FORM 10Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Rpro
L92-2232

For the Quarter Ended	**Commission**
March 31, 1992	**File No. 33-9390**

INFORMATION ANALYSIS INCORPORATED
(Exact name of Registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation or organization)	**54-1167364** (IRS Employer Identification No.)
2222 Gallows Road, Suite 300 **Dunn Loring, VA** (Address of principal executive offices)	**22027** (Zip Code)
(Registrant's telephone number, including area code)	**(703) 641-0955**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes___X___ No________

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 1991:

Common Stock, par value $.01, 536,572 shares

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Part I - FINANCIAL INFORMATION

Item 1. Financial statements

INFORMATION ANALYSIS INCORPORATED

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992	December 31, 1991
Current assets		
Cash and cash equivalents	$189,943	$265,411
Accounts receivable	2,938,830	2,680,009
Employee advances	48,443	46,375
Other receivables and prepayments	439,856	302,700
Total current assets	3,617,072	3,294,495
Fixed assets		
At cost, net of accumulated depreciation and amortization of $707,101 and $676,713 at March 31, 1992 and December 31, 1991, respectively.	293,367	311,527
Equipment under capital leases		
Net of accumulated amortization of $34,128 and $31,170 at March 31, 1992 and December 31, 1991 respectively.	26,720	29,679
Investments	10,000	10,000
Other assets	3,348	3,348
Total assets	$3,950,507	$3,649,049

INFORMATION ANALYSIS INCORPORATED

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
Current liabilities		
Accounts payable	$550,326	$289,783
Accrued liabilities	406,510	439,428
Notes payable - bank	475,000	375,000
Current portion of capital lease obligations	9,264	13,227
Current income taxes	0	0
Deferred income taxes	360,696	360,696
Total current liabilities	1,801,796	1,478,134
Capital lease obligations Net of current portion	17,835	17,835
Deferred lease payment	0	44,115
Total liabilities	1,819,631	1,540,084
Common stock, par value $0.01 1,000,000 shares authorized; 621,051 shares issued and outstanding.	6,211	6,211
Paid in capital in excess of par value	771,403	771,403
Retained earnings	1,843,787	1,796,876
Less treasury stock; 84,479 shares at cost	(490,525)	(465,525)
Total Stockholders' equity	2,130,876	2,108,965
Total liabilities and stockholders' equity	$3,950,507	$3,649,049

INFORMATION ANALYSIS INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	For the quarter ended	
	March 31, 1992	March 31, 1991
Sales		
Professional fees	$2,900,971	$1,112,554
Software sales	250,781	81,373
Total sales	3,151,752	1,193,927
Cost of sales		
Cost of professional fees	2,603,437	1,005,190
Cost of software sales	128,302	41,120
Total cost of sales	2,731,739	1,046,310
Gross profit	420,013	147,617
Selling, general and administrative expenses	350,768	320,199
Income (loss) from operations	69,245	(172,582)
Other income and expenses		
Interest income	4,963	15,157
Other income and expenses	27	2,690
Interest expense	(7,366)	(561)
Income (loss) before provision for income taxes	66,869	(155,296)
(Provision) benefit for income taxes	(19,958)	57,538
Net income (loss)	46,911	(97,758)
Retained earnings		
Beginning of period	1,796,876	2,057,975
End of period	$1,843,787	$1,960,217
Income (loss) per common and common equivalent share	$0.09	($0.17)
Weighted average common and common equivalent shares outstanding	536,572	566,671

INFORMATION ANALYSIS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the quarter ended	
	March 31, 1992	March 31, 1991
Cash flows from operating activities		
Cash received from customers	$2,892,958	$1,258,121
Cash paid to suppliers and employees	(3,002,807)	(1,393,017)
Interest received	4,963	15,157
Interest paid	(7,366)	(561)
Income taxes paid	(19,958)	(95,000)
Net cash (used for) provided by operating activities	(132,210)	(215,300)
Cash flows from investing activities		
Loans and advances	(2,068)	6,181
Sale/purchase of non-marketable common stock	0	11,400
Acquisition of furniture and equipment, & deposits	(12,227)	(36,686)
Net cash used in investing activities	(14,295)	(19,105)
Cash flows from financing activities		
Net borrowing under bank revolving line of credit	100,000	0
Increase (reductions) in capital lease obligations	(3,963)	(3,971)
(Repurchase) of common stock	(25,000)	(57,888)
Net cash provided (used) by financing activities	71,037	(61,859)
Net increase (decrease) in cash and cash equivalents	(75,468)	(296,264)
Cash and cash equivalents at beginning of year	265,411	1,538,598
Cash and cash equivalents at end of year	$189,943	$1,242,334

Reconciliation of net income to net cash provided by operating activities

Net income (loss)	$46,911	($97,758)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	33,346	34,957
(Gain)/loss on sale of fixed assets & investments	0	(2,400)
Abatement of deferred rent	(44,115)	
Changes in operating assets and liabilities		
Accounts receivables	(258,821)	63,905
Other receivables and prepayments	(137,156)	(11,273)
Accounts payable and accrued expenses	227,625	(50,193)
Income tax liability	0	(152,538)
Net cash (used for) provided by operating activities	($132,210)	($215,300)

INFORMATION ANALYSIS INCORPORATED

Notes to Financial Statements

The interim financial statements are furnished without audit; however, they reflect all adjustments which are, in the opinion of management, necessary for the fair statement of the financial position and results of operations for the three months ended March 31, 1992 and 1991. The financial statements should be read in conjunction with the summary of significant accounting policies and notes to financial statements included in the Company's annual report for the year ended December 31, 1991.

The interim financial statements for 1992 include the accounts of the Company and its wholly owned subsidiaries - DHD Systems, Inc. and Allied Health & Information Systems, Inc.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Results of Operations Fiscal

Revenues for the first quarter of 1992 increased by $1,957,825 or 164% compared to that of 1991. Of this increase, $1,902,753 was generated by Company's subsidiaries DHD Systems, Inc. - $1,377,983 and Allied Health & Information Systems, Inc. - $524,770. The parent company's revenue increased by 5% or $55,072 compared to the same period in 1991. The subsidiaries were not in existence in the first quarter of 1991. Cost of sales as a percentage of sales declined by 1% from 87.6% in 1991 to 86.7% in 1992. Selling, general and administrative expenses declined from 26.8% of sales in 1991 to 11.1% of sales in 1992. Actual selling, general and administrative expenses for the first quarter of 1992 were $112,678 higher than that of 1991. However, this increase was offset by rent abatement and credit received during the same period totalling $82,109. Without the benefits from the credit and abatement, the total selling, general and administrative expenses for the first quarter of 1992 would have been 14.7% of sales.

Liquidity and Capital Resources

After a net $100,000 increase in additional borrowing, the Company's cash position declined by $75,468 during the first quarter of 1992. This was primarily due to increases in receivables and prepayments. Management believes that the combination of its cash on hand and available credit line will provide sufficient resources required for current working capital needs.

The Company has no material commitments for capital expenditures.

PART II - FINANCIAL INFORMATION

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K were filed by the registrant during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Information Analysis Incorporated
(Registrant)

Date: May 20, 1992

By:
Sandor Rosenberg
Chairman of the Board
and President

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

M92-2236

MAY

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Thirty Six Weeks April 9, 1992

Commission File Number: 0-18275

ITEX CORPORATION
(Exact name of registrant as specified in its charter)

10300 S.W. Greenburg Road, Portland, Oregon 97223
(Address of registrant's principal executive office)

(503) 244-4673
(Registrant's telephone number)

Nevada	93-0922994
(Place of Incorporation)	(IRS Employer ID Number)

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the pact 90 days. Yes XX No ______

The number of shares of each class of common stock outstanding as of April 9, 1992: 2,031,719

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ITEX CORPORATION

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FOR THE THIRTY SIX WEEKS ENDED APRIL 9, 1992

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ITEX CORPORATION

Unaudited Financial Statements

Thirty Six Weeks Ended
April 9, 1992

ITEX CORPORATION
Unaudited Balance Sheet
As of the Dates Indicated

ASSETS:	April 9, 1992	July 31, 1991
Current Assets:		
Cash and Deposits in Transit	$ 32,047	$ 69,442
Trade Receivables, Net of Allowance of 509,456 and 350,917 (Note 2)	1,123,678	1,052,750
Due in Goods and Services (Note 3)	1,277,508	1,305,008
Other Receivables	68,624	86,469
Prepaid expenses (Note 4)	399,391	262,983
Total Current Assets	$2,901,248	$2,776,652
NonCurrent Assets		
Property and Equipment, Net (Note 5)	217,322	230,489
Trademark\Member List, Net (Notes 1 & 2)	1,199,423	1,417,500
Notes Receivable-Related Parties (Note 6)	16,318	13,354
Commitment (Note 7)	96,000	96,000
Other Assets (Note 8)	5,514	28,800
Total NonCurrent Assets	$1,534,577	$1,786,143
Total Assets	$4,435,825	$4,562,795
LIABILITIES AND DEFERRED REVENUE:		
Current Liabilities:		
Accounts Payable	$ 172,432	$ 200,491
Broker Portion of Accounts Receivable (Note 9)	451,454	517,111
Collection Agency Portion of A/R	80,938	0
Current Portion Notes Payable (Note 13)	7,297	19,880
Total Current Liabilities	$ 712,121	$ 737,482
Notes Payable - Long-Term (Note 13)	62,364	23,585
Deferred Revenue (Note 3)	0	150,000
Total Liabilities and Deferred Revenue	$ 774,485	$ 911,067
SHAREHOLDERS' EQUITY:		
Common Stock - 5,000,000 Shares Authorized; $.01 Par Value; 2,031,719 Shares Issued and Outstanding at April 9, 1992 and 2,019,526 at July 31, 1991 (Note 12)	$ 20,317	$ 20,195
Treasury Stock - 6,250 Shares held by ITEX	(22,186)	0
Paid-in Capital (Note 10)	5,493,266	5,481,413
Retained Earnings (Deficit)	(1,845,381)	(1,849,880)
Current Earnings	15,324	-
Total Shareholders' Equity	$3,661,340	$3,651,728
Total Liabilities and Shareholders' Equity	$4,435,825	$4,562,795

The accompanying notes are an integral part of this statement.

ITEX CORPORATION
Unaudited Statements Of Income and Loss
For The Periods Indicated

	April 9, 1992		April 30, 1991	
	12 Weeks	36 Weeks	3 Months	9 Months
INCOME:				
Service Fees	$1,406,907	$2,734,029	$ 747,791	$2,085,108
Gain (Loss) on Disposal of Fixed Assets	(970)	(970)	0	0
Total Income	$1,405,937	$2,733,059	$ 747,791	$2,085,108
EXPENSES:				
Broker and Agent Fees	329,056	860,555	214,271	720,908
Employee Wages & Benefits	111,916	333,005	114,647	324,816
Depreciation and Amortization	87,115	268,904	83,886	252,667
Other Selling, General, and Administrative	889,342	1,395,576	481,864	1,083,120
Total Expenses	$1,417,429	$2,858,040	$ 894,668	$2,381,511
Operating Income (Loss)	$ (11,492)	$(124,981)	$(146,877)	$ (296,403)
Other Income (Note 17)	140,305	140,305	269,200	269,200
Net Income(Loss)	$ 128,813	$ 15,324	$ 122,323	$ (27,203)
Net Income (Loss) Per Weighted Average Share	$0.06	$0.01	$0.06	$(0.01)

The accompanying notes are an integral part of this statement.

ITEX CORPORATION
Unaudited Statement of Cash Flows
For The Periods Indicated

	April 9, 1992 36 Weeks	April 30, 1991 Nine Months
Cash Flows From Operating Activities:		
Net income	$ 15,324	$ (27,203)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization Expense	218,077	193,725
Depreciation Expense	50,827	58,943
Loss on Disposal of Fixed Asset	970	0
Accounts Receivable	(70,928)	103,559
Due in Goods and Services	27,500	19,797
Other Assets	1,100	0
Other Receivables	17,845	29,861
Prepaid Expenses	(136,408)	(248,783)
Accounts Payable	(28,060)	(50,425)
Broker Portion/Accounts Receivable	(65,657)	(49,099)
Collection Agency Portion/Accounts Receivable	80,938	0
Current Portion of Notes Payable	(12,583)	3,216
Prior Fiscal Year A/P Corrections	4,549	0
Deferred Revenue	(150,000)	0
Total Adjustments	$ (61,830)	$ 60,793
Net Cash Provided by Operating Activities	$ (46,506)	$ 33,590
Cash Flows From Investing Activities:		
Purchase of Equipment and Software	$ (24,609)	$ (2,000)
Purchase of Vehicle and Furniture	(14,021)	(20,134)
Purchase of Travel Commitment	0	(320,000)
Sale of 12% interest in ITEX Insurance	22,186	0
Note Receivable from Sale of Affiliate	0	(49,200)
Net Cash Provided by Investing Activities	$ (16,444)	$(391,334)
Cash Flows from Financing Activities:		
Long-Term Borrowings	$ 38,780	$ 23,218
Loans to Related Parties	(2,964)	4,733
Issuance of Stock for bonuses	13,425	0
Purchase of Stock	(1,500)	0
Purchase of Treasury Stock	(22,186)	(39,797)
Issuance of Stock for Investment and Commitment	$ 0	$ 350,000
Net Cash Provided by Financing Activities	$ 25,555	$ 338,154
Net Increase (Decrease) in Cash and Equivalents	$ (37,395)	$ (19,590)
Cash/Cash Equivalents At Beginning of Year	69,442	43,663
Cash/Cash Equivalents At End of Third Quarter	$ 32,047	$ 24,073

The accompanying notes are an integral part of this statement.

ITEX CORPORATION
Unaudited Statement Of Changes in Capital
For Fiscal Year 1991 and the Quarters Ending April 9, 1992

	Common Stock		Paid In	Treasury	Retained	
	Shares	Amount	Capital	Stock	Earnings	Total
Balance at 7/31/1990	1,902,726	$19,027	$5,007,578	$(85,000)	$(1,386,530)	$3,555,075
Stock Trade for 10% Interest In Travel Agent Hotel Guide & Travel Commitment	35,000	350	125,650			126,000
Stock Trade for Media Due Bills	80,000	800	399,200			400,000
Stock Trade for Image Audio CD Library	24,600	246	73,554			73,800
Purchase and Cancellation of Treasury Stock	(22,800)	(228)	(124,569)	85,000		(39,797)
Net Loss for 1991					(463,350)	(463350)
Balance at 7/31/1991	2,019,526	$20,195	$5,481,413	$ -0-	$(1,849,880)	$3,651,728
Stock issued for reverse stock split fractional rounding	193	2	(2)			0
Stock issued for Bonus (3/91)	5,000	50			(50)	0
Stock issued for Bonus (9/91)	7,500	75	13,350			13,425
Purchase of Stock (9/91)	(500)	(5)	(1,495)			(1,500)
Prior Fiscal Year A/P Corrections					4,549	4,549
Purchase of Stock (4/92)				(22,186)		(22,186)
Net Income for thirty six weeks ending Apr. 9, 1992					15,324	15,324
Balance at Apr. 9, 1992	2,031,719	$20,317	$5,493,266	$(22,186)	$(1,830,057)	$3,661,340

The accompanying notes are an integral part of this statement.

ITEX CORPORATION
Notes To Financial Statements
April 9, 1992

1. ORGANIZATION AND HISTORY:

The Company was incorporated in the State of Delaware on March 7, 1901 as Magneto-Electric Company, operated, and then went dormant. On October 1, 1985, the Company re-incorporated in Nevada, changed its authorized capitalization to 50,000,000 shares of $0.001 par value, and changed its name to B.I.G. Enterprises, Inc.

On February 14, 1986, the Company recapitalized to effect the elimination of $998,500 of retained deficits it accumulated during its early years. The Company also exchanged 15,000,000 shares of its restricted common stock for certain assets and liabilities which it received from the ITEX Corporation, an international barter exchange located in Portland, Oregon. In addition, 2,000,000 shares of stock were given in exchange for the brokerage services rendered. The ITEX Corporation continued operating a separate business, and B.I.G. changed its name to ITEX Barter Systems, Inc.

As a result of the asset acquisition in 1986, a valuation appraisal was performed on the trademarks and member lists. The appraised value of these items was determined to be $3,150,000. This $3,150,000 was recognized as an intangible asset and as common stock and Paid-In Capital.

In 1991 the Company changed its name to ITEX Corporation and also declared a 10 for 1 reverse stock split reducing the authorized capital to 5,000,000 shares and the par value to $0.01.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the thirty six week period ending April 9, 1992 are not necessarily indicative of the results that may be expected for the year ending July 31, 1992. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended July 31, 1991.

Trade Transactions and ITEX Trade Dollars

The company exchanges ITEX trade dollars for goods and services. This exchange transaction is recorded as an current expense and trade income from use of internally created trade dollars. ITEX trade dollars are not recognized as currency in the United States. The company records ITEX trade dollars as an asset (non-cash) at full ITEX trade value as denominated in the ITEX trade account.

Trade Transactions and Issuance of ITEX Common Stock

The company exchanges common stock for goods and services. The goods and services are recorded at lower of cost or market. As the goods and services are used in the normal operating cycle of the business, income is recorded to offset the related service expense or utilization of the asset.

Depreciation and Amortization

Depreciation is computed on the straight-line method with no salvage value. Expenditures for maintenance and repairs are charged to operations when incurred; those for renewal or betterment are capitalized. Amortization provided on trademarks and member lists was adjusted in 1991 to a straight-line basis over 10 years from the date of its acquisition.

Allowance For Doubtful Accounts

The Company provides an allowance for accounts receivable which are doubtful of collection. The allowance is based upon management's periodic analysis of receivables, evaluation of current economic conditions, and other pertinent factors. Ultimate losses may vary from the current estimates and, as additions to the allowance become necessary, they are charged against earnings in the period in which they become known. Losses are charged and recoveries are credited to the allowance.

Federal Income Tax

The Company accrues both current and deferred income tax liabilities in the period the related book income is reported There are no current or deferred taxes.

Cash Flow Statement

The statement of cash flows includes amounts that represent trade transactions not in United States Currency.

3. DUE IN GOODS AND SERVICES

Due in Goods and Services consists of the following:

	Apr. 9, 1992	July 31, 1991
ITEX Trade Dollars	$ 377,508	$ 405,008
Media Due Bills	500,000	500,000
Media Advertising Time	400,000	400,000
	$1,277,508	$1,305,008

The Media Due Bills and Media Advertising time represent advertising media time exchanged for ITEX stock and Travel Paradise certificates. It is management's intent to use a significant portion of the balance in the within the next fiscal year.

4. PREPAID EXPENSES:

Prepaid Expenses consists of the following:

	Apr. 9, 1992	July 31, 1991
Travel Paradise Certificates	$ 0	$ 150,000
Compact Disc Libraries	0	99,800
Radio Advertising	215,105	0
Supplies	9,286	9,950
HIN Advertising & Promotion	175,000	0
Other	0	3,233
	$ 399,391	$ 262,983

In a 1991 transaction with a Related Party, Business and Finance Inc. (dba, Itex Travel), Itex traded 10,000 shares of Business and Finance Inc. for 5,000 Travel Paradise Certificates. These are certificates good for discounts at hotels in Mexico. Itex valued the certificates at the lower of cost or market which is estimated by management to be at least $150,000.

In 1991, Itex traded 24,600 shares of Itex stock for Compact Disc Libraries. Itex valued the Compact Disc Libraries at estimated cost which is 24,600 shares of Itex stock at an estimated market value of $3.00 per share plus $26,000 cash cost.

In a 1992 transaction with a Related Party, Haydon, Ives & Neal, Inc., Itex traded 5,000 Travel Paradise Certificates and the Compact Disc Libraries for a contractual agreement. The agreement sets the selling price of the above items at $1,260,000 and is payable in monthly installments of $35,000 in radio advertising. For book purposes, the radio advertising time is being valued at the value of the items traded.

5. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	Apr. 9, 1992	July 31, 1991
Leasehold Improvements	$ 17,721	$ 14,925
Furniture and Fixtures	56,299	120,952
Computer Equipment	531,108	531,675
Vehicles	14,567	16,078
	619,695	683,630
Less: Accumulated Depreciation	(402,373)	(453,141)
	$ 217,322	$ 230,489

The provision for depreciation is computed using the straight-line method. Depreciation is based on useful lives of 3 to 10 years on furniture and fixtures, 3 to 7 years for computer equipment and software, and 5 years on the vehicle.

6. NOTES RECEIVABLE - RELATED PARTIES:

Notes Receivable - Related Parties consisted of the following:

	Apr. 9, 1992	July 31, 1991
Travel Agents Hotel Guide	$ 8,978	$ 6,065
ITEX Travel	0	5,225
Travel Paradise	4,500	0
Khalil El Khoury	2,840	2,064
	$ 16,318	$13,354

7. COMMITMENT:

In October 1990, the Company entered into an agreement in which ITEX exchanged stock for a commitment from Travel Agent's Hotel Guide to provide lodging at various hotels to ITEX customers who would pay for the rooms with trade dollars. This commitment is valued at the estimated market value of ITEX stock for 32,000 shares issued.

8. OTHER ASSETS:

Other Assets consisted of the following:	Apr. 9, 1992	July 31, 1991
1000 shares Business Exchange	$ 0	$ 1,100
12% interest Itex Insurance Services	0	22,186
Deposits	5,514	5,514
	$ 5,514	$ 28,800

On April 9, 1992, the Company entered into an agreement in which ITEX exchanged the 12% interest in Itex Insurance for 6,250 shares of ITEX Corporation stock to be held as Treasury Stock. These shares of stock are valued at $22,186, or $3.55 per share.

9. BROKER COMMISSIONS:

ITEX maintains brokers in offices around the country to service its customers. The broker is entitled to a commission on any service fees paid by clients assigned to that broker, which is then payable within 35 days. The amounts owing for account collections was $72,558 and $74,708 at April 9, 1992 and July 31, 1991, respectively. This amount is included in accounts payable. In addition, $451,454 and $517,111 was owing for amounts estimated to be collected in the future at April 9, 1992 and July 31, 1991, respectively. This liability is shown as "Broker portion of accounts receivable" on the balance sheet.

10. PAID-IN CAPITAL:

Paid-In Capital consists of the following:

	Apr. 9, 1992	July 31, 1991
Unamortized value of the appraised value of the Trademark and Client List	$3,150,000	$3,150,000
Various trades of Itex common stock for goods/services to be used in the future	1,494,520	1,496,015
Stock issued for employee bonuses	89,795	76,445
Other	758,951	758,953
Total	$5,493,266	$5,481,413

11. RECLASSIFICATION:

Certain reclassification have been made to 1990 and 1989 for consistent presentation with 1991. Additionally, the 1990 and 1989 financial statements have been restated to reflect a ten-year amortization period on the trademark/client list instead of 25 years.

12. CAPITAL STOCK:

In 1991, the Corporation declared a 10 for 1 reverse stock split. Common shares outstanding and earnings per share have been restated to reflect the reverse stock split.

13. NOTES PAYABLE:

Notes Payable consisted of the following:

	Apr. 9, 1992	July 31, 1991
Secured note with U.S. Bank - monthly payments of $1,389; interest of 12.25% varies according to the prime rate	$ 0	$16,664
Secured note with U.S. Bank - monthly payments of $1,611.11; interest of 10% varies according to the prime rate	46,722	0
Company automobile	15,853	13,130
Natalie Warner, dba Itex Travel, (a related party)	7,087	13,671
Total Notes Payable	69,662	43,465
Less: Current portion	(7,297)	(19,880)
Long-Term Notes Payable	$62,365	$23,585

14. RELATED PARTY TRANSACTIONS:

Sale of ITEX Travel and Tours

As of May 1, 1990, the Company sold the travel business to a new company named Business & Finance, Inc (dba, ITEX Travel). Itex Travel is owned and managed by related parties to Terry L. Neal, Chairman of the Board. In exchange, the Company received 202,800 shares of its stock valued at $50,700. As part of the sale agreement, ITEX Corporation agreed to pay ITEX Travel and Tours $6,500 per month for one year to maintain "800" service and travel support services for ITEX Corporation and its retail barter membership. The expense recognized in 1991 approximated $65,000. The Company has also assumed liabilities amounting to $35,000 in the transaction. The sale is not expected to have a material impact on the Company's sales or profitability.

Consulting Agreement with Worldwide Barter Consultants, Inc. (WBCI)

The President of WBCI is the stepfather of Terry L. Neal's wife. The consulting agreement dated August 1, 1990 has a term of five years and annual consulting payments paid by ITEX to WBCI of approximately $65,000 per year. Members of the Neal family receive income for services rendered to WBCI.

Exchange of Television Time for ITEX Stock with Business & Finance, Inc.

On July 12, 1991, ITEX traded 80,000 shares of common stock for $400,000 of television time with Business & Finance, Inc. doing business as ITEX Travel. The television time was a due bill agreement between Business & Finance, Inc. and Krypton International Corporation.

Exchange of Business & Finance, Inc. Stock for Travel Paradise Certificates from Business & Finance, Inc.

ITEX traded 10,000 shares of Business & Finance stock for 5,000 Travel Paradise Certificates. The transaction was recorded at $150,000 estimated lower of cost or market.

15. LEASING ARRANGEMENTS:

The Company has a lease commitment on its facilities for the period December 1, 1989 through November 30, 1994 in the amount of $3,761 in base rent plus estimated operating expenses of $1,703 per month for a total estimated obligation of $5,464 per month through November 30, 1994.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of July 31, 1991:

Year Ended July 31, 1992	$110,700
1993	110,700
1994	110,700
1995	36,900
Total Minimum Payments Required	$369,000

16. EARNINGS PER SHARE:

Earnings per share is computed utilizing the weighted average number of shares for the year. Shares for 1990 and 1991 and Earnings Per Share were restated for comparison purposes to adequately reflect a 10 for 1 reverse stock split. The following table summarizes the Company's weighted average number of shares outstanding:

Per shares calculations based upon:

Shares issued and outstanding at 7/31/90	1,900,670
New shares issued as of 10/10/90 (7/9 x 35,000)	27,222
Treasury shares received pursuant to travel contract (5/9 x 4,000 + 1/9 x 16,280)	(4,031)
Total weighted average shares outstanding at 4/30/91	1,923,861
Shares issued and outstanding at 7/31/91	2,019,526
Fractional rounding during reverse split	193
New shares issued as of 03/01/91	5,000
New shares issued as of 09/24/91 (2/3 * 7,500)	5,000
Shares retired as of 09/25/91 (2/3 * 500)	(333)
Total weighted average shares outstanding at 1/15/92	2,029,386

17. SALE OF AFFILIATES:

In October, 1990 the Company purchased a 10% interest in a publication entitled The Travel Agents Hotel Guide for 30,000 shares of its stock valued at $30,000. Simultaneously, the Company executed an agreement which ensures the availability of vacation accommodations for ITEX clients for 320,000 shares of its stock valued at $320,000. In April, 1991 the Company sold its interest for $250,000 in travel vouchers which it expects to use to promote its business.

Also in April, 1990, the Company sold its interest in ITEX Media Partners for a $49,200 note from Gary Bangle.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations:

Results of Operations:
Thirty Six Weeks Ended 4/9/92 versus Nine Months Ended 4/30/91

Revenue rose 31% to $2,734,029 during the Thirty Six Weeks Ended 4/9/92 from $2,085,108 during the Nine Months Ended 4/30/91. Net Income(loss) improved to $15,324 from $(27,203) and Earnings(loss) per Share improved to $0.01 from $(0.01).

However, the thirty-six week results mask the improvement made by management in controlling costs and in reversing the five quarter long slide in revenue. Revenue for the third twelve-week period was $1,406,907 compared with $747,791 for the three month period last year; Earnings per Share for the third twelve-week period was $0.06 compared to $0.01.

Management attributes the increased sales revenue (service fees) the successful program to expanding the number of brokers transacting trades through the Company, and secondarily to the improving economy. The number of brokers stood at 64 at 4/9/92 compared with 38 at 7/31/91 fiscal year end.

Expense control was the significant contributor to the Company's second consecutive profitable "quarter". The Company's attention to account quality and facilitating efficiency in broker activity contributed to significantly reduced "broker and agent fees" for the third twelve-week period: $329,056 compared with $214,271 for the third quarter last year. The ratio of broker fees to service fee revenue fell to 23.4% for the third twelve week period from 28.7% during the third quarter last year and 31.5% versus 34.6% for the thirty-six weeks compared to the nine months. Management anticipates the broker fee expense ratio will rise during Fiscal 1992 and into Fiscal 1993 as broker barter volume expands.

Employee wages/benefits fell 3% during the third twelve-week period, but rose 19% for the thirty-six week period as a result of the 26% increase in the first twelve-week period and a 5% reduction during the second twelve-week period. Management attributes the lower costs to conversion of Portland model brokerage personnel from employees to independent contractors. The Portland brokers are paid under a signed broker agreement on a straight commission agreement. Other selling, general and administrative costs rose 85% for the third twelve-week period, but rose only 29% for the thirty-six week period, reflecting a 12% decline during the first twelve week period and 25% decrease during the second twelve week period. Management attributes the increase to advertising and promotional expenses incurred for development of new brokers and a national company marketing plan.

Liquidity And Capital Resources

During the Thirty Six Weeks Ended 4/9/92, the Company's current assets exceeded current liabilities and by the end of the period working capital amounted to $2,189,127; working capital was $2,039,170 at 7/31/91 at fiscal year end. "Cash and Deposits in Transit" stood at only $32,047 at 4/9/92 compared with $69,442 at 7/31/91; however, management believes that this is sufficient to fund operations.

The reserve for doubtful accounts increased to 31% of gross trade receivables at 4/9/92 from 25% at 7/31/91 as a result of management's continued conservative approach to collections during the recessions and the number of new accounts being opened by new brokers. Management anticipates that the reserve will remain at 25% of active client accounts and 50% of inactive accounts being pursued through external collection efforts.

Cash flow "used" by operating activities during the Thirty Six Weeks Ended 4/9/92 totaled $(46,506), including the $15,324 Net Income, $268,904 in depreciation/amortization, and $331,704 in net changes in non-cash working capital items. These net changes figures include the $150,000 deferred revenue "liability" representing the value of the 5,000 travel paradise certificates traded to Haydon, Ives & Neal, Inc.; and the $136,408 of prepaid expenses that are largely composed of the radio advertising arrangements with Haydon, Ives & Neal through 7/31/92.

Cash flow "used" by investing activities during the Thirty Six Weeks Ended 4/9/92 totaled $16,444, including purchase of equipment/software, purchase of vehicle/furniture and offset by sale of the Company's 12% interest in ITEX Insurance. Last year the Company "invested" $391,334 in the purchase of travel commitments, note receivable from sale of affiliate (ITEX Media Partners) and purchases of equipment/software/vehicle/furniture.

Cash flow "provided" by financing activities during the Thirty Six Weeks Ended 4/9/92 totaled $25,555, including $38,780 of increased long-term borrowings, $13,425 common stock issued for bonuses, and $22,186 "spent" on the purchase of common stock as a result of the sale of ITEX Insurance, which will be held as treasury stock.

Compared with Fiscal 1990 and Fiscal 1991, when the Company consummated several asset acquisitions/divestitures and minority interest relationship, the first thirty six weeks of Fiscal 1992 were relatively quiet. The Company has sold it s Travel Paradise Certificates (book value = $150,000) and it's Compact Disc Libraries (book value = $99,800) in an agreement whereby the Company is to receive $35,000 monthly of radio advertising credit for three years ($1,260,000); management anticipates using the advertising time to promote its expanding broker network.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Default Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders: The Company held its annual general meeting of shareholders on March 13, 1992 in Portland, Oregon. The following matters were voted on at the meeting:

1. The appointment of David O. Christensen as the independent auditor for Fiscal 1992.
2. The following directors were elected to serve until the next annual general meeting of shareholders:

Terry L. Neal, 45	February 1986
Michael T. Baer, 34	February 1990
Sherry L. Meinberg, 51	February 1986
Graham H. Norris, 49	February 1986
Mary J. Scherr, 50	December 1987

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this FORM 10Q report to be signed on its behalf by the undersigned thereto duly authorized.

ITEX CORPORATION
(Registrant)

Date: February 26, 1992

3/14/92
Michael Baer, President/Director

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[redacted]

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

11

Marketing Educational Corporation

State of Incorporation: Florida

N92-2232

I.R.S. Employer Identification No. 62-1299374

4087 Summer Avenue, Suite 240
Memphis, Tennessee 38122

(901)458-6880

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Marketing Educational Corporation

Date May 5, 1992

Frank B. Goodman
Chief Financial Officer

Date MAY 15, 1992

L Richard Vanover
L. Richard Vanover
President

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ITEM 1.

MARKETING EDUCATIONAL CORPORATION

FINANCIAL STATEMENTS

March 31, 1992

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MARKETING EDUCATIONAL CORPORATION

BALANCE SHEET

March 31, 1992

Assets

Current Assets	
Cash and cash equivalents	$ 2,601
Fixed Assets (note 1)	
Computers, software systems	18,261
Telephone systems	19,500
Furniture and fixtures	18,352
Leasehold improvements	13,209
	69,322
Less accumulated depreciation	26,182
	43,140
Other Assets	
Leads, net of accumulated amortization of $17,502 (note 1)	17,498
Total assets	$ 63,239
	==========

Liabilities and Stockholders' Equity

Current Liabilities	
Accounts payable	$ 83,360
Accrued salaries payable (note 2)	255,000
Total current liabilities	338,360
Other Liabilities	
Note payable - stockholder (note 2)	77,725
Stockholders' Equity (Deficit)	
Common Stock	72,000
Additional paid-in capital (note 3)	76,262
Retained earnings	(501,108)
Total stockholders' equity (deficit	(352,846)
Total liabilities and stockholders' equity (deficit)	$ 63,239
	==========

MARKETING EDUCATIONAL CORPORATION

STATEMENTS OF INCOME (LOSS)

For the Three Months Ended March 31

	1992	1991
Sales	$ 152,301	$ 491,003
Cost of Sales		
Purchases	1,302	15,486
Commissions	67,671	90,307
Total cost of sales	68,973	105,793
Gross Profit	83,328	385,210
Expenses		
Selling, general and administrative expense	16,000	23,691
Depreciation and amortization	5,932	5,932
Total expenses	21,932	29,623
Income before extraordinary items	61,396	355,587
Extraordinary items (note 1)		
Loss on sale of accounts receivable	115,094	390,073
Net income (loss)	$ (53,698)	$ (34,486)
Earnings (loss) per share	$ (.0612)	$ (.0406)

MARKETING EDUCATIONAL CORPORATION

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock Shares	Par Value	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)
Balance at December 31, 1990	850,000	$.001	$850	$76,262	$(261,148)
Net income (loss) quarter ended March 31, 1991					(34,486)
Balance at March 31, 1991	850,000	$.001	$850	$76,262	$(295,634)
Net income (loss) quarter ended June 30, 1991					(52,304)
Balance at June 30, 1991	850,000	$.001	$850	$76,262	$(347,938)
Net income (loss) quarter ended Sept. 30, 1991					$28,517)
Class A Warrants 10,000 @ $2.50	10,000		25,000		
Balance at September 30,1991	860,000	$.001	$25,850	$76,262	$(376,455)
Net income (loss) quarter ended December 31, 1991					(70,955)
Class A Warrants 3,980 @ $2.50	3,980		9,950		
Balance at December 31, 1991	863,980	$.001	$35,800	$76,262	$(447,410)
Net income (loss) quarter ended March 31, 1992					(53,698)
Class A Warrants 12,600 Exercised	12,600		36,200		
Balance at March 31, 1992	876,580	$.001	$72,000	$76,262	$(501,108)
	=======	=====	=======	=========	==========

MARKETING EDUCATIONAL CORPORATION

STATEMENT OF CASH FLOWS

For the Three Months Ended March 31

Cash flows from (used for) operating activities:	
Net income (loss)	$(53,698)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	5,932
(Decrease) in accounts payable	(4,205)
Increase in accrued salaries payable	39,000
Total adjustments	40,727
Net cash (used for) operating activities	(12,971)
Cash flows from 12,600 Warrants	36,200
2,000 exercised at $ 5.00	
600 exercised at $ 2.00	
10,000 exercised at $ 2.50	
Cash flows from (used for) financing activities:	
Borrowings from stockholder	4,300
Principal payments on note to stockholder	(34,595)
Net cash from financing activities	(30,295)
Net increase (decrease) in cash and cash equivalents	(7,066)
Cash and cash equivalents at the beginning of the period	9,667
Cash and cash equivalents at the end of the period	$ 2,601
	=========

MARKETING EDUCATIONAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1992

Note (1) - Summary of Significant Accounting Policies

Marketing Educational Corporation (the Company, formerly International Marketing Educational Corporation, IMEC) has offices in Tennessee and California and sells educational materials to individuals.

During the year ended December 31, 1990, the Company changed its accounting method from the cash-basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), to the accrual basis of accounting which is in accordance with GAAP. Results of operations of the prior period have not been adjusted to conform with the accounting principles used in the current period.

The Company currently sells its accounts receivable at a significant discount with no recourse. Therefore, there are no receivables or allowances for bad debts.

Fixed assets are stated at cost, except the assets acquired from the acquisition, which are stated at fair market value (see note 3). Depreciation is provided using the straight line method over the estimated useful lives of the assets ranging from five to seven years.

Leads are individual sales leads that have been developed from telephone and mailing lists that have been purchased from several unaffiliated companies. Leads are valued at $.35 each are being amortized over three years.

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note (2) - Related Party Transactions

The Company has a note payable to a stockholder in the amount of $77,725. The note bears no interest and is due on demand.

The Company owes a stockholder $255,000 in unpaid salary.

Note (3) - Acquisition

In May, 1990, IMEC, a Tennessee Corporation, acquired United Advertised Products (UAP), a sole proprietorship with offices in California. Stock from the sole stockholder was traded for the

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Note (3) - Acquisition (continued)

assets of the acquired company and the acquisition was accounted for as a purchase. Fixed assets with a market value of $56,262 and leads valued at $20,000 were acquired and additional paid-in capital was credited $76,262.

The statement of income (loss) for the three months ended March 31, 1992 does not reflect the operations of the acquired company.

Note (4) - Contingencies and Commitments

The Company has entered into a letter of intent to merge with All American Capital Fund, Inc. Pursuant to the proposed merger, the Company will issue 150,000 shares of common stock, 300,000 Class A Warrants and 150,000 Class B Warrants in exchange for all of the outstanding common stock of All American Capital Fund Inc.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operation for the Three Months Ended March 31, 1992

Marketing Educational Corporation (the "Company") had net sales of $152,301 for the three months ended March 31, 1992, a 68% decrease from net sales of $491,003 for the three months ended March 31, 1991. The gross profit margin, gross profits as a percentage of net sales, for the three months ended March 31, 1992 and 1991 were 54% and 78%, respectively. The decrease in the comparative gross profit margins is primarily attributable to a decrease in volume of sales. Cost of sales decreased primarily due to decreased commission payouts. Commissions increased to 44% of sales for the three months ended March 31, 1992 compared to 18% of sales for the three months ended March 31, 1991. Additionally general and administrative expenses decreased $7,691 from $23,691 for the quarter ended March 31, 1991 to $16,000 for the quarter ended March 31, 1992. This decrease is due to management's efforts to reduce overhead as much as possible.

The Company reported a net loss of $53,698 for the three months ended March 31, 1992, an increase of $19,212 from a net loss of $34,486 for the three months ended March 31, 1991. Net loss per common share increased $.0206 per share to $.0612 for the three months ended March 31, 1992 compared to a $.0406 loss per share for the three months ended March 31, 1991.

Net loss increased primarily due to the small decrease in extraordinay loss on sales of accounts receivable which was 75% of gross sales for the period ended March 31, 1992 compared to 79% for the period ended March 31, 1991.

Liquidity and Capital Resources at March 31, 1992

Current assets were $2,601 at March 31, 1992, a decrease of $5,121 from current assets of $7,722 existing on March 31, 1991. Current liabilities increased $205,717 to $338,360 from March 31, 1991 to March 31, 1992. This increase is primarily due to accrued salaries which increased from $99,000 at March 31, 1991 to $255,000 at March 31, 1992.

Notes payable to stockholders decreased to $100,242 at March 31, 1992 from $177,967 at March 31, 1991.

In the event the Company is unable to obtain working capital by means of additional capital or financing, the Company may be unable to continue as a going concern.

The Company has an issue of warrants outstanding and is depending on the exercise of those warrants to furnish capital to finance its activities. Management believes that these funds would allow the company to reduce the extraordinary loss on sales of accounts receivables to the point that the company will be profitable.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

As of January 1, 1992, there were 863,980 shares issued and outstanding. As of March 31,1992, there were 876,580 shares issed and outstanding. During the quarter ended March 31, 1992 there were 12,600 warrants exercised bringing the total number of shares issued and outstanding to 876,580 shares creating additional capital in the amount of $36,200.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

RECD S.E.C.
MAY 15 1992
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FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ending March 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

PROCESSED BY
13-13-V
MAY 18 1992

Commission File Number 0-19129

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

POINSETT FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

L30

South Carolina	57-0916588
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

203 State Park Road, P.O. Box 1045 Travelers Rest, South Carolina	29690-1045
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (803)834-4135

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ________

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of May 13, 1992;

Common Stock, $0.01 par value	163,639
Class	Number of Shares

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POINSETT FINANCIAL CORPORATION

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POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 1992 and September 30, 1991

	March 31, 1992 (unaudited)	Sept. 30, 1991
ASSETS		
Cash (principally interest bearing overnight deposits)	$ 1,638,073	$ 1,427,309
Investment securities	0	761,750
Loans receivable, net	30,111,362	30,326,893
Office properties and equipment, net	306,336	330,032
Real estate:		
Held for development and sale	1,644,223	1,452,994
Acquired in settlement of loans	214,130	41,393
Federal Home Loan Bank Stock	380,900	367,700
Accrued interest receivable	194,216	187,852
Other assets	447,723	401,824
Total assets	$ 34,936,963	$ 35,297,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposit accounts	$ 29,956,244	$ 30,305,410
Advances from Federal Home Loan Bank	0	1,500,000
Notes payable	1,355,202	107,214
Accounts payable	52,234	41,942
Income taxes payable:		
Current		
Deferred	35,749	35,749
Other liabilities	128,864	84,160
Total liabilities	31,528,292	32,074,475
STOCKHOLDERS' EQUITY		
Preferred stock; authorized 5,000,000 shares; none outstanding		
Common stock; $0.01 par value; authorized 15,000,000 shares, outstanding 163,639	1,636	1,636
Additional paid-in capital	1,155,985	1,155,985
Retained income-substantially restricted	2,251,050	2,065,651
Total Stockholders' Equity	3,408,671	3,223,272
Total Liabilities and Stockholders' Equity	$ 34,936,963	$ 35,297,747

See notes to Consolidated Financial Statements

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 1992 and 1991

	THREE MONTHS ENDED March 31,	
	1992	1991
	(unaudited)	
INVESTMENT INCOME:		
Interest and fees on loans	$ 733,641	$ 723,886
Interest and dividends on investment securities, etc.	35,148	49,753
Total interest income	768,789	773,639
INTEREST EXPENSE:		
Savings accounts	401,735	502,436
Advances and other borrowings	19,741	36,656
Total interest expense	421,476	539,092
Net interest income	347,314	234,547
Provision for loan losses	22,179	10,363
	325,135	224,184
OTHER INCOME:		
Appraisal fees & service charges	6,497	4,833
Insurance commissions	77,523	67,836
Gain on sale of investment securities	53,353	0
Gain on sales of real estate	0	1,040
Other	3,863	18,967
Total other income	141,235	92,676
COSTS AND EXPENSES:		
Salaries and employee benefits	138,735	122,043
Occupancy and equipment expense	32,705	29,793
Federal insurance premiums	15,997	10,650
Advertising, office supplies, printing & computer services	38,732	31,682
Other expense	70,154	56,957
Total costs and expenses	296,323	251,125
INCOME BEFORE INCOME TAXES	170,047	65,735
INCOME TAX EXPENSE	59,000	19,250
NET INCOME	$ 111,047	$ 46,485
NET INCOME PER SHARE	$ .68	$ .28
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	163,639	163,639

See notes to consolidated financial statements

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 1992 and 1991

	SIX MONTHS ENDED March 31,	
	1992	1991
	(unaudited)	
INVESTMENT INCOME:		
Interest and fees on loans	$1,481,518	$1,451,066
Interest and dividends on investment securities, etc.	77,199	106,009
Total interest income	1,558,717	1,557,075
INTEREST EXPENSE:		
Savings accounts	858,495	1,023,333
Advances and other borrowings	53,835	86,644
Total interest expense	912,330	1,109,977
Net interest income	646,387	447,098
Provision for loan losses	31,179	10,363
	615,208	436,735
OTHER INCOME:		
Appraisal fees & service charges	14,918	13,027
Insurance commissions	139,437	126,016
Gain on sale of investment securities	53,353	0
Gain on sales of real estate	19,314	49,610
Other	7,446	23,438
Total other income	234,468	212,091
COSTS AND EXPENSES:		
Salaries and employee benefits	273,807	221,142
Occupancy and equipment expense	62,221	56,418
Federal insurance premiums	31,580	28,288
Advertising, office supplies, printing & computer services	70,127	63,722
Other expense	127,378	112,426
Total costs and expenses	565,113	481,996
INCOME BEFORE INCOME TAXES	284,563	166,830
INCOME TAX EXPENSE	99,164	50,695
NET INCOME	$ 185,399	$ 116,135
NET INCOME PER SHARE	$ 1.13	$ .71
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	163,639	163,639

See notes to consolidated financial statements

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 1992 and 1991

	THREE MONTHS ENDED March 31,	
	1991	1990
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 114,047	$ 69,650
Depreciation	17,563	12,714
Increase <decrease> in income taxes currently payable	0	13,765
<Increase> decrease in other assets	< 85,494>	< 83,426>
Increase in accrued interest receivable	2,390	< 8,275>
Increase <decrease> in accounts payable and other liabilities	52,846	< 15,237>
Net cash provided <used> by operating activities	98,352	< 10,809>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net <increase> decrease in loans	493,344	1,199,497
Proceeds from sale of mortgage backed securities	746,013	0
Principal on mortgage backed participation certificates	0	9,280
Purchase of property, plant, & equipment	< 5,045>	< 19,196>
Purchase of Federal Home Loan Bank Stock	< 6,500>	< 7,200>
Cash disbursed for real estate held for development and sale	< 171,999>	< 59,246>
Increase in real estate acquired in settlement of loans	< 170,639>	0
Net cash <used> provided by investing activities	885,174	1,123,135
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in deposit accounts	< 194,997>	< 36,562>
Repayment of advances from Federal Home Loan Bank	<2,550,000>	0
Repayment of notes payable	< 17,873>	< 25,000>
Proceeds from note payable	1,300,000	33,892
Net cash used by financing activities	<1,462,870>	< 27,670>
NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS	< 479,346>	1,084,656
CASH AT BEGINNING OF PERIOD	2,117,419	1,612,687
CASH AT END OF PERIOD	$ 1,638,073	$ 2,697,343
SUPPLEMENTAL CASH FLOWS DISCLOSURE:		
Interest paid	$ 399,345	$ 521,887
Income taxes paid	19,500	18,000

See notes to consolidated financial statements

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Six Months Ended March 31, 1992 and 1991

	SIX MONTHS ENDED March 31, 1992	(unaudited) 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 185,399	$ 69,650
Depreciation	32,321	12,714
Increase <decrease> in income taxes currently payable	0	13,765
<Increase> decrease in other assets	< 45,899>	< 83,426>
Increase in accrued interest receivable	< 6,364>	< 8,275>
Increase <decrease> in accounts payable and other liabilities	54,995	< 15,237>
Net cash provided <used> by operating activities	220,452	< 10,809>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net <increase> decrease in loans	215,531	1,199,497
Proceeds from sale of mortgage backed securities	746,013	0
Principal on mortgage backed participation certificates	15,737	9,280
Purchase of property, plant, & equipment	< 8,625>	< 19,196>
Purchase of Federal Home Loan Bank Stock	< 13,200>	< 7,200>
Cash disbursed for real estate held for development and sale	< 191,229>	< 59,246>
Increase in real estate acquired in settlement of loans	< 172,737>	0
Net cash provided by investing activities	591,490	1,123,135
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in deposit accounts	< 349,166>	< 36,562>
Proceeds from advances from Federal Home Loan Bank	1,050,000	0
Repayment of advances from Federal Home Loan Bank	< 2,550,000>	0
Repayment of notes payable	< 52,012>	< 25,000>
Proceeds from note payable	1,300,000	33,892
Net cash used by investing activities	< 601,178>	< 27,670>
NET INCREASE IN CASH AND CASH EQUIVALENTS	210,764	1,084,656
CASH AT BEGINNING OF PERIOD	1,427,309	1,612,687
CASH AT END OF PERIOD	$ 1,638,073	$ 2,697,343
SUPPLEMENTAL CASH FLOWS DISCLOSURE:		
Interest paid	$ 895,900	$ 521,887
Income taxes paid	19,500	18,000

See notes to consolidated financial statements

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) HOLDING COMPANY FORMATION

On February 28, 1991, Poinsett Federal Savings and Loan Association of Travelers Rest ("Poinsett Federal" or the "Association") became the wholly-owned subsidiary of Poinsett Financial Corporation (the Parent Company) and each share of common stock of the Association became by operation of law one share of common stock of the Parent Company. The holding company reorganization of Poinsett Federal was accounted for by the pooling of interests method as required by Generally Accepted Accounting Principles. Costs of the reorganization, which totaled approximately $68,000 were capitalized and are being amortized over a five year period.

(2) ORGANIZATION AND BASIS OF PRESENTATION The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and therefore do not include all disclosures necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with generally accepted accounting principles. However, all adjustments which are, in the opinion of management, necessary for fair presentation of the interim financial statements have been included. All such adjustments were of a normal recurring nature. Certain amounts during fiscal 1990 have been reclassified in the accompanying consolidated financial statements to conform with the fiscal 1991 presentation. The results of operations for the three months ended December 31, 1991 are not necessarily indicative of the results which may be expected for the entire fiscal year.

(3) PRINCIPLES OF CONSOLIDATION The accompanying consolidated financial statements include the accounts of the Parent Company, the Association and the Association's wholly-owned subsidiary, Poinsett Service Corporation. Material intercompany balances and transactions have been eliminated in consolidation.

(4) EARNINGS PER SHARE Net income per share is based upon the weighted average number of common shares outstanding. Dual presentation of net income per share is omitted due to the insignificance of the dilutive effect of outstanding stock options.

(5) REVENUE AND COST RECOGNITION ON CONSTRUCTION CONTRACTS Contract revenues from firm-price and guaranteed maximum contracts are reported on the completed contract method. In all cases, although income is not recognized until completion of the contract, provisions for expected losses are recognized when it becomes evident that a loss on the contract is apparent. Contract costs include all direct material, labor, and subcontractor costs and those indirect costs related to contract performance, such as indirect labor, equipment rental, tools and supplies. General and administrative costs are charged to expense as incurred.

(6) REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS Real estate acquired in the settlement of loans is appraised at acquisition and is initially recorded at the lower of cost or estimated fair value. Thereafter, real estate acquired in the settlement of loans at the lower of cost

or net realizable value. Accrued interest on the related loan at the date of acquisition is charged to operations, and interest accruals cease thereafter. In determining the net realizable value, the Parent Company deducts from the estimated selling price the projected cost to complete and dispose of the property and the estimated cost (i.e., interest, property taxes, etc.) to hold the property to an expected date of sale.

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES On August 9, 1989, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) was signed into law. Among other things under FIRREA (i) insurance premiums paid by institutions insured by the Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation will increase to 0.23% of insured deposits during the period beginning January 1, 1991 and ending December 31, 1993, and thereafter decrease; (ii) the Office of Thrift Supervision ("OTS") has adopted regulations requiring capital levels for thrift institutions that are significantly higher than those previously in effect; (iii) the Qualified Thrift Lender Test will require that qualifying investments (primarily housing-related loans) constitute 70% of portfolio assets and the definition of liquidity is amended. The Federal Deposit Insurance Corporation Act of 1991 amended the Qualified Thrift Lender Test to require that such qualifying investments constitute 65% of portfolio assets. To the extent that the new requirements of FIRREA are known to the association as of the date hereof, management anticipates that such requirements will not have a material adverse effect on the operating results of the Association and that the Association will be able to comply with FIRREA. As required by FIRREA, the director of OTS has adopted new capital standards that require savings Associations to satisfy three different capital requirements. Under the new standards, savings associations must maintain "tangible" capital equal to 1.5% of adjusted total assets; "core" capital equal to 3% of adjusted total assets; and a combination of core and "supplementary" capital equal to 6.4% of "risk-weighted" assets rising to 8% of risk-weighted assets after a transition period ending on December 31, 1992. As of March 31, 1992, the Association is in compliance with its current capital requirements and has both tangible and core capital of approximately $3.4 million or 9.8%. In determining compliance with the risk-based capital requirement, a savings association is allowed to use both core capital and supplementary capital provided the amount of supplementary capital used does not exceed the savings association's core capital. Supplementary capital is defined to include certain preferred stock issues, nonwithdrawable accounts and pledged deposits that do not qualify as core capital, certain approved subordinated debt, certain other capital instruments and a portion of the savings association's general loss reserves. Total core and supplementary capital are reduced by an amount equal to the association's high loan to value ratio land loans and non-residential construction loans and the amount of capital instruments held by other depository institutions pursuant to reciprocal arrangements as well as by an increasing percentage of the association's equity investments. The risk-based capital requirement is measured against risk-weighted assets which equals the sum of each asset and the credit-equivalent amount of each off-balance sheet item after being multiplied by an assigned risk weight. Under the OTS risk-weighted system, one to four family first mortgages not more than 90 days past due with loan to value ratios under 80% are assigned a risk weight of 50%. Consumer and residential construction loans are assigned a risk weight of 100%. Mortgage-backed securities issued or fully guaranteed as to principal and interest, by the FNMA or FHLMC are assigned a 20% risk weight. Cash and U.S. Government securities backed by the full faith and credit of the U.S. Government are 0% risk weight. As of March 31, 1992 the Association's risk-weighted assets were approximately $21.4 million and its total capital was approximately $3.3 million, or 15.4% of risk-weighted assets.

During the quarter ended March 31, 1992 the Corporation's total assets decreased by approximately $552,000. The Corporation's net loans receivable balance decreased by approximately $215,000 and the Corporation's cash balance increased by $210,000. The Corporation's mortgage backed securities totaling $746,000 were sold during the quarter. Also during the quarter an intercompany loan totaling $1,100,000 between Poinsett Federal Savings and Loan Association and its "non-includable" subsidiary was paid off. The subsidiary borrowed from a third party the funds to replace the amount paid to the Association thus the increase of approximately $1,100,000. With the funds from the loan payoff and the sale of the mortgage backed securities the Association repayed all advances ($2,550,000) to the Federal Home Loan Bank.

OPERATIONS-QUARTER ENDED MARCH 31, 1992 COMPARED TO THE QUARTER ENDED MARCH 31, 1991

INTEREST INCOME Interest income increased from the comparative quarter by $4,850 to a total of $768,789 or a decrease of .6% from period to period. The slight decrease was primarily due to an increase in the average loan receivable balance from period to period being offset by a lower yield on the interest earning asset balance. The yield on loans receivable was 9.66% for the quarter ended March 31, 1992 as compared to 10.00% for the quarter ended March 31, 1991. Interest and dividends on investment securities decreased by $14,605 from period to period due primarily to the sale of the Association's mortgage backed securities in early January and a decrease in the rate received on short term investments from the comparative quarter.

INTEREST EXPENSE Interest expense on deposit accounts decreased by $100,701 or approximately 20.0% from the same period the previous year. This decrease in interest expense was due to the average cost of deposits decreasing from 6.97% for the quarter ended March 31, 1991 to 5.35% for the quarter ended March 31, 1992. Interest expense on advances decreased $16,915 from the comparative period due to a decrease in the cost of borrowing funds from the Federal Home Loan Bank of Atlanta.

OTHER INCOME AND EXPENSE Total other income increased by $48,559 from $92,676 for the quarter ended March 31, 1991 to $141,235 for the quarter ended March 31, 1992. The Association recognized a $53,353 gain on the sale of its mortgage backed securities during the comparative quarter. Slightly offsetting the one time gain on the sale of mortgage backed securities was a decrease in other income of $15,104 from the comparative quarter. Total other expenses increased by $45,198 from period to period primarily due to increases in salaries and employee benefits of $16,692 and other expenses of

$13,197. Other expenses increased due to the rising costs of insurance and surety bonds and costs associated with acquiring the Association's new branch office facility. Salaries and employee benefits increased due to an increase of the number of personnel and also due to the approximate 5% merit salary increases.

INCOME TAX EXPENSE Income tax expense increased by $39,750 from $19,250 for the quarter ended March 31, 1991 to $59,000 for the quarter ended March 31, 1992. The increase is due to a higher pre-tax income of $170,047 as compared to $65,735 for the comparative quarter and a higher effective tax rate of 34.7% for the quarter ended March 31, 1992 as compared to 29.3% for the quarter ended March 31, 1991.

SIX MONTHS ENDED MARCH 31, 1992 COMPARED TO THE SIX MONTHS ENDED MARCH 31, 1992

INTEREST INCOME Interest income increased by $30,452 from $1,451,066 for the six months ended March 31, 1991 to $1,481,518 for the six months ended March 31, 1992 an increase of 2.1%. The increase was despite a decrease in the average yield on loans from 10.01% for the six months ended March 31, 1991 to 9.76% for the six months ended March 31, 1992. The average loan balance increased to $30,347,654 for the comparative quarter. Interest and dividends on investment securities decreased $28,810 due to a significantly lower yield on these types of interest bearing assets.

INTEREST EXPENSE Interest expense for the comparative period decreased $197,646 or 17.8%. This was primarily due to a decrease in the cost of deposits from 7.02% for the six months ended March 31, 1991 to 5.70% for the six months ended March 31, 1992. Interest expense on advances decreased $32,808 due to a decrease in the average balance of advances at the Federal Home Loan Bank of Atlanta and the average advance rate.

OTHER INCOME AND EXPENSE Total other income increased by $22,374 for the six months ended March 31, 1992 to $234,465 from $212,091 for the six months ended March 31, 1991. During the quarter ended March 31, 1992 the Association sold its mortgage backed securities portfolio for a one time gain of $53,353. This increase was offset by a decrease in the gain on sale of real estate of $30,296. This decrease was due to the Association's land development subsidiary not moving as many units as during the comparative period. Total other expense increased by $83,117 from period to period, an increase of 17.2% primarily due to increases in salaries and employee benefits of $52,665, occupancy and equipment expense of $5,803 and advertising, office supplies and computer services of $6,405. Salaries and employee benefits increased due to increasaed personnel and increases in the cost of employee benefits. Occupancy expenses increased due to increases in the costs associated with maintaining the Corporation's fixed assets.

INCOME TAX EXPENSE Income tax expense increased to $99,164 for the six months ended March 31, 1992 from $50,695 for the six months ended March 31, 1991. Income tax expense increased due to an increase in income before income taxes from $166,830 to $284,560 for the comparative period.

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES
PART II. OTHER INFORMATION

Item 1. Legal Proceedings
The Corporation is not party to any material legal proceedings at this time.

Item 2. Changes in Securities
Not applicable.

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders
Not applicable.

Item 5. Other Materially Important Events
On March 27, 1992 the Association received from the Office of Thrift Supervision permission to establish a branch office at 210 Brendan Way in Greenville, South Carolina.

Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits: None
(b) Reports on Form 8-K: No current reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POINSETT FINANCIAL CORPORATION AND SUBSIDIARIES

By: James D. King
James D. King
President and Chief Executive Officer

Date: May 15, 1992

By: Edward R. Blakemore Jr.
Edward R. Blakemore, Jr.
Chief Financial Officer

Date: May 15, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Form 10-Q

Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For Quarter Ended October 31, 1991	Commission File Number: 000-18081

RAMEX SYNFUELS INTERNATIONAL, INC.
(Exact Name of Registrant as specified in charter)

Nevada (State of Incorporation)	87-0360039 (I.R.S. Employer ID No.)

P.O. Box 647
1501 Azure Hills
Van Buren, Arkansas 72956
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (501)474-7906

X Yes, Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

123,544,155 shares of Common Stock

Total pages: 10

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RAMEX SYNFUELS INTERNATIONAL, INC.

BALANCE SHEET

ASSETS

	October 31, 91 Unaudited	January 31, 91
CURRENT ASSETS:		
Cash in Bank	$ -0-	$ -0-
Accounts Receivable	525	13,064
Total Current Assets	$ 525	$ 13,064
INVESTMENT - NOTE	$ 10,000	$ 10,000
FIXED ASSETS		
Equipment and Furniture	$	$ 961
TOTAL ASSETS	$ 10,525	$ 24,025

LIABILITIES AND STOCKHOLDERS' EQUITY

	October 31, 91	January 31, 91
CURRENT LIABILITIES		
Accounts Payable - Trade	$ 773,010	$ 736,806
Notes Payable	167,466	165,765
Total Liabilities	$ 940,476	$ 902,571
COMMON STOCK - 125,000,000 shares, $.001 par value, authorized; 123,984,155 shares issued and outstanding.	$ 123,984	$ 121,521
ADDITIONAL PAID-IN CAPITAL	$ 4,518,395	$ 4,518,395
CURRENT EARNINGS (loss)	$ (53,868)	$ -0-
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	$ (5,518,462)	$ (5,518,462)
STOCKHOLDERS' EQUITY	$ (932,414)	$ (878,546)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 10,525	$ 24,025

RAMEX SYNFUELS INTERNATIONAL, INC.

STATEMENT OF OPERATIONS AND DEFICIT

	Three Months Ending Oct. 31		Six Months Ending Oct. 31	
	1991	1990	1991	1990
Revenues-Net of Direct Costs	-0-	2,591	501	3,681
Operating Expenses	2,340	83,906	54,369	265,156
Loss from Operations	(2,340)	(81,315)	(53,868)	(261,475)
Other Income				
Interest Income	-0-	-0-	-0-	19
Other Expense Interest Expense	-0-	51	-0-	51
Net (Loss) Income	(2,340)	(81,366)	(53,868)	(261,507)
Beginning Deficit Aug. 1 - Feb. 1	(5,569,990)	(3,276,725)	(5,518,462)	(3,096,584)
Ending Deficit Oct. 31	(5,572,330)	(3,358,091)	(5,572,330)	(3,358,091)
Income (Loss) Per Common Share	(.000018)	(.000669)	(.00043)	(.00215)
Weighted Average Number of Shares Outstanding	123,984,155	121,520,821	123,984,155	121,520,821

RAVEN SYNFUELS INTERNATIONAL, INC

STATEMENT OF STOCKHOLDERS EQUITY

	Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
BALANCES, January 31, 1989	86,999,999	87,000	$1,403,151	($2,116,724)	$626,573
Common Stock Issued for Debt per Annual Meeting Minutes	24,520,822	24,521	1,054,650		1,079,171
Common Stock Issued for Acquisition of 25% Working Interest in proven Gas/Oil Reserves	10,000,000	10,000	2,060,594		2,070,594
Net Loss for Year Ended January 31, 1990				(979,860)	(979,860)
BALANCES, January 31, 1990	121,520,821	121,521	$4,518,395	($3,096,584)	$1,543,332
Prior Period Adjustments				(500)	(500)
Net Loss for the Year January 31, 1991				(2,421,378)	(2,421,378)
BALANCES: January 31, 1991	121,520,821	121,521	4,518,395	($5,518,462)	($878,546)
Stock Issued for use of Drilling Rig and Payment of Debt incurred in 1990	2,463,334	2,463			2,463
Net Loss for the Nine Months				(53,868)	(53,868)
BALANCES: October 31, 1991	123,984,155	123,984	$4,518,395	($5,572,330)	($932,414)

RAMEX SYNFUELS INTERNATIONAL, INC.

STATEMENT OF CASH FLOW

For the Nine Months Ended October 31

CASH FLOW FROM OPERATING ACTIVITIES	1991	1990
Net Income (Loss)	$ (53,868)	$ (261,507)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Amortized Organization Costs	-0-	120
Depreciation	961	439
Decrease in Accounts Receivable	12,539	1,009
Increase in Accounts Payable	36,204	239,560
Increase (Decrease) in Notes Payable	1,701	21,096
Issue of Common Stock	2,463	
NET CASH PROVIDED BY OPERATING ACTIVITIES	-0-	(1,301)
CASH AT BEGINNING OF YEAR	-0-	1,331
CASH AT END OF PERIOD	$ -0-	$ 31

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

During the three month period ending October 31, 1991, the Company's only activity was to continue attempting to locate a source of funding to pay for the laboratory testing necessary before further research and development can be done on the Ramex Oil Shale Gasification Process. Several avenues are being explored at this time.

Liquidity and Capital Resources

As of October 31, 1991, the Company's current assets consisted of no cash and $525.00 in Accounts Receivable. Since there is no certainty of the success of the negotiations for funding for the laboratory test and since Ramex has no significant source of income at this time, uncertainties do exist with respect to the future levels of Liquidity and Capital which will be necessary to fund the Company's operations and its ability to maintain adequate levels thereof.

PART II

Item 1. Legal Proceedings

On July 31, 1991 the Securities and Exchange Commission filed a lawsuit against Gemini Energy Corporation ("Gemini"), Donald L. Walker, President and Director of Ramex Synfuels International, Inc., Gail Sue Walker, Secretary and Director and Lucros International Corporation alleging over statement of assets in financial statements made by Gemini Energy Corporation and inadequate disclosure of material information in documents filed with the SEC and information made available to the public. The SEC alleged securities fraud in connection with Gemini's "penny"stock. The SEC alleged that the named Defendants acted together to devise and conduct a fraudulent scheme to drive up the price of the stock by grossly over-valuing oil and gas leases which were alleged to have numerous title problems, by conducting an aggressive promotional campaign consisting of the dissemination of allegedly false and misleading statements directly into the market place and in filings with the SEC. Additionally, the SEC also alleged that the Defendants sold stock without making adequate disclosure to the purchasers. During the time period covered by this report the SEC continued an ongoing examination of documents.

A judgment by Jack Guthrie and Associates, Inc. of Louisville, Kentucky to recover $12,076.70. And, a lawsuit filed by Paul A. Petzrick of Annapolis, Maryland to recover $11,524.00 for consultant services. No activity during the period covered by this report.

Item 2. Changes in Securities.

None

Item 3. Defaults upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

Exhibits	Page Number or Cross-Reference
3(a) Articles of Incorporation	Incorporated by reference to Exhibit A-a to the Form 10K for the year ended 1-31-90 filed on 6-22-90 for Ramex Synfuels INternational, Inc. (No. 000-18081)
3(b) By Laws	Incorporated by reference to Exhibit B-1 to the Form 10K for the year ended 1-31-90 filed on 6-22-90 for Ramex Synfuels International, Inc. (No. 000-18081)

(b) Reports on Form 8-K
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: July 24, 1992.

RAMEX SYNFUELS INTERNATIONAL, INC.

By
Donald L. Walker, President and Chief Executive Officer during the period covered by this report

Gail Sue Walker, Secretary/ Treasurer during the period covered by this report

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FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Q92-2232

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission file number 0-8157

THE RESERVE PETROLEUM COMPANY
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

73-0237060
(I.R.S. Employer identification number)

6801 N. Broadway, Suite 300, Oklahoma City, Oklahoma
(Address of principal executive offices)

73116
(Zip Code)

405-848-7551
(Registrant's telephone number, including area code)

______
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO___

As of May 10, 1991, 173,551 shares of the Registrant's $.50 par value common stock were outstanding.

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PART I

FINANCIAL INFORMATION

THE RESERVE PETROLEUM COMPANY
BALANCE SHEETS
(Unaudited)

ASSETS

	March 31, 1992	December 31, 1991
Current Assets:		
Cash and Cash Equivalents	$ 176,677	$ 262,431
Temporary Investments	3,023,761	2,949,209
Marketable Equity Securities	158,931	269,031
Receivables	228,038	185,318
Refundable Income Taxes	98,004	116,739
Prepayments	3,750	5,625
	3,689,161	3,788,353
Investments:		
Partnerships	268,523	270,968
Other	11,230	11,230
	279,753	282,198
Property, Plant & Equipment		
Oil & Gas Properties, at Cost Based on the Successful Efforts Method of Accounting		
Unproved Properties	723,114	650,644
Proved Properties	4,385,890	4,206,163
	5,109,004	4,856,807
Less - Valuation Allowance and Accumulated Depreciation, Depletion & Amortization	3,500,481	3,413,201
	1,608,523	1,443,606
Other Property & Equipment, at Cost	328,384	330,270
Less - Accumulated Depreciation, Depletion & Amortization	227,145	227,383
	101,239	102,887
	1,709,762	1,546,493
Other Assets	177,469	168,576
	$5,856,145	$5,785,620

(continued)

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
BALANCE SHEETS

(concluded)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
Current Liabilities:		
Accounts Payable	$ 58,916	$ 29,584
Other Current Liabilities		
Gas Balancing Commitments	31,657	31,657
Dividends Payable, Current Portion	10,000	6,000
	100,573	67,241
Dividends Payable	94,143	98,276
Deferred Federal Income Taxes	120,514	112,643
Stockholders' Equity		
Common Stock	92,368	92,368
Additional Paid-in Capital	65,000	65,000
Retained Earnings	5,473,939	5,440,484
	5,631,307	5,597,852
Less:		
Treasury Stock, at cost	90,392	90,392
	5,540,915	5,507,460
	$5,856,145	$5,785,620

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Operating Revenues:		
Oil & Gas Sales	$ 392,759	$ 405,352
Lease Bonuses & Rentals	142	210
	392,901	405,562
Operating Costs & Expenses:		
Production	70,777	74,060
Exploration and Development	5,113	55,207
Depreciation, Depletion, Amortization and Valuation Provisions	109,013	71,687
General, Administrative and Other	163,659	161,108
	348,562	362,062
Income From Operations	44,339	43,500
Other Income, Net	15,722	121,242
Income Before Income Taxes	60,061	164,742
Provision For Income Taxes	26,606	36,500
Net Income	$ 33,455	$ 128,242
Per Share Data:		
Weighted average shares outstanding	172,953	173,586
Net Income Per Share	$ .19	$ .74

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
STATEMENTS OF CASH FLOW
Increase (Decrease) in Cash and Cash Equivalents

	Three Months Ended March 31,	
	1992	1991
Net Cash Provided by Operating Activities	$ 180,030	$ 266,885
Cash Flows from Investing Activities:		
Proceeds from Sale of Marketable Securities	239,313	78,105
Purchase of Marketable Securities	(152,440)	(107,271)
Sale of Temporary Investments	185,779	144,690
Purchase of Temporary Investments	(260,331)	(78,105)
Property Dispositions	576	---
Property Additions	(268,548)	(288,392)
Contribution to Limited Partnership	(10,000)	---
Other Cash Disbursements	---	(953)
Net Cash Applied to Investing Activities	(265,651)	(251,926)
Cash Flows from Financing Activities:		
Decrease in Dividends Payable	(133)	(2,030)
Net Cash Applied to Financing Activities	(133)	(2,030)
Net Change in Cash and Cash Equivalents	(85,754)	12,929
Cash and Cash Equivalents, Beginning of Period	262,431	239,231
Cash and Cash Equivalents, End of Period	$ 176,677	$ 252,160
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Periods For:		
Interest	$ 3,750	$ 3,757
Income Taxes	$ ---	$ 28,000

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

Note 1 - ADJUSTMENTS

In the opinion of Management, the accompanying financial statements reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

Note 2 - INCOME TAXES

The provision for income tax has been computed based on the Company's estimate of the tax rate to be effective for the full year. All tax planning alternatives known to be available to the Company have been used in determining the rate.

Note 3 - CURRENT MARKETABLE EQUITY SECURITIES

The Company's portfolio of current marketable equity securities is carried at the lower cost of market value. At March 31, 1992, the cost of the securities of $182,158 was in excess of market value by $23,227. To reduce the carrying value to market, a valuation allowance in the amount of $23,227 was established with a corresponding charge to income.

THE RESERVE PETROLEUM COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
MARCH 31, 1992

1. Material Changes in Financial Condition From Year Ended December 31, 1991 to Three Months Ended March 31, 1992

Cash and cash equivalents declined $85,754 as disclosed in the accompanying Statements of Cash Flows. Net Cash provided from operating activities of $180,030 was exceeded by net cash applied to investing and financing activities of $265,784. Total capital expenditures, were $273,786 of which $268,548 was included in investing activities and the remainder was charged to operating activities.

Management is unaware of any material trends, demands, commitments, events or uncertainties which would impact liquidity and capital resources to the extent that the discussion presented in Form 10-K for December 31, 1991, would not be representative of the Company's current position. Therefore, management is of the opinion that cash flows from operations, along with existing temporary cash investments will supply the funds required to meet operating cash requirements for the foreseeable future; however, should the Company's exploration program be successful, or a material acquisition occur, the Company may require external sources of capital.

2. Material Changes in Results of Operations Quarter Ended March 31, 1992, compared with Quarter Ended March 31, 1991

Although income from operations was flat, net income between the periods declined $94,787, or 74%, from $128,242 ($.74 per share) in 1991 to $33,455 ($.19 per share) in 1992. For the most part, the decline was the result of a decrease in non-operating income. All material line item changes will be discussed below.

Operating Revenues. The decline in operating revenues of $12,661 (3%) from $405,562 in 1991 to $392,901 in 1992, was the result of a decrease in natural gas sales as offset by an increase in crude oil sales.

Revenue from gas sales decreased to $193,695 in 1992, a $68,882 (26%) decrease from $262,577 in 1991. Gas volume declined 18% or 21,774 thousand cubic feet (MCF) to 99,351 MCF in 1992 from 121,125 MCF in 1991. The average unit price declined $.22 (10%) to $1.95. The volume decline was mostly the result of reduced takes because of weak market conditions and the normal decline of older production. The price decline was also the result of weak market conditions.

Revenue from oil sales increased to $197,423 in 1992, a $56,043 (40%) increase from 1991. Oil volume increased 3,476 barrels (bbls) to 10,569 bbls in 1992, a 49% increase from 1991.

The average price received decreased $1.26 per bbl to $18.67, a 6% decrease from 1991. The increased oil volume was the result of a one time receipt of prior period runs on an oil royalty of approximately 1,900 bbls and receipt of approximately 1,100 bbls of suspended runs for a total of approximately $67,000. The price decline was the result of general market conditions.

Operating Costs and Expenses. The $13,500 (4%) decrease was to a great extent the net result of a decrease in exploration expense as partially offset by an increase in depreciation of oil and gas properties. Most of the increased depreciation is related to a rapidly declining well which began production in the second quarter of 1991.

Other Income, Net. As noted in the introductory paragraph above, the decrease in net income resulted from a decline in this category.

In 1991, a gain of $37,716 was realized on the sale of rural real estate. No additional real estate sales are anticipated in 1992.

In 1992, interest income declined $32,680 (46%) to $38,792. Of the total decline, approximately $4,200 was the result of a decrease in temporary investments and $28,500 the result of a decline in the average interest rate from 8.5% to 5.1%.

Income from marketable securities (both realized and unrealized) decreased $21,168 from income of $16,230 in 1991 to a loss of $4,939 in 1992.

Adjusting partnership investments to estimated underlying net equity resulted in a charge to this category of $12,445 in 1992.

PART II

OTHER INFORMATION

Item 6. (b) No reports on Form 8-K were required to be filed by the Registrant for the Three Months Ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE RESERVE PETROLEUM COMPANY
(Registrant)

Date: May 14, 1992

Mason McLain
President

Date: May 14, 1992

Jerry L. Crow
Principal Financial and
Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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/X/ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarterly Period Ended MARCH 31, 1992

/__/ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Interim Period Ended NOT APPLICABLE

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Commission File No. ~~33-26179~~

SPECIAL DELIVERY SYSTEMS, INC.

(named Ran/Cor Ventures, Inc. until September 22, 1989)
(Exact name of registrant as specified in its charter)

	(new) 59-2965084
Colorado	(old) 84-1072053
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

999 Woodcock Road, Suite 307, Orlando, Florida 32803
(Address of principal executive offices and zip code)

407 - 897-3451
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, address or fiscal year changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X , No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

3,309,181 shares of Common Stock, $.0005 par value, outstanding as of March 31, 1992

(Reflects 5 into 1 reverse split on February 20, 1990.)

EXHIBIT INDEX Is On Page 21 Of 22 Sequential Pages Herein.

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SPECIAL DELIVERY SYSTEMS, INC.

(sometimes referred to as the "Company" or "Registrant")

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Form 10-Q Quarterly Report

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 1992
AND FOR THE YEAR DECEMBER 31, 1991

SPECIAL DELIVERY SYSTEMS, INC
(A Development Stage Company)

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FINANCIAL STATEMENTS

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SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

BALANCE SHEETS

ASSETS

	MARCH 31 1992	DECEMBER 31 1991
CURRENT ASSETS		
Cash	$ 631	$ 563
Marketable Securities, At cost which approximates market	4,933,344	4,894,465
Supplies Inventory, at lower cost for market	160,000	160,000
Total Current Assets	5,093,975	5,055,028
PROPERTY AND EQUIPMENT, AT COST		
Auto	40,038	40,038
Office Equipment	37,889	37,889
Software	2,181	2,181
	80,108	80,108
Less Accumulated Depreciation	(22,349)	(19,109)
	57,759	61,089
OTHER ASSETS		
Organizational Costs, net of accumulated amortization of $ and $ 2 , respectively	7	7
Deposits	14,923	5,023
	14,930	5,030
	$5,166,664	$5,121,147

The accompanying Notes are an integral part of the financial statements.

SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

BALANCE SHEETS (CONTINUED)

LIABILITIES AND SHAREHOLDERS' EQUITY

	MARCH 31 1992	DECEMBER 31 1991
CURRENT LIABILITIES:		
Note Payable Related Party	$	$ -
Note Payable - Other		-
Accounts Payable	100,878	88,647
Accrued Wages - Officers	430,500	372,000
Accrued Interest Payable - Officers	13,476	10,466
Accrued Payroll Taxes	592	178
Current Portion of Long - Term Debt	3,601	4,735
Current Portion of Lease Payable	78	78
Total Current Liabilities	549,125	476,104
COMMITMENTS AND CONTINGENCIES:		
STOCK ISSUABLE	25,929	25,929
LONG TERM DEBT, NET OF CURRENT PORTION:		
Note Payable - Bank	16,710	16,842
Lease Payable	-	-
Loans Payable-Stockholder	43,828	-
Note Payable - Officers	66,277	39,516
	126,815	56,358
SHAREHOLDERS' EQUITY:		
Preferred stock, $.0005 par value, 10,000,000 shares authorized, none issued and outstanding	-	-
Common Stock. $.0005 par value, 20,000,000 shares authorized, 3,339,181 issued and 3,209,181 outstanding (without treasury stock) at December 31, 1991, 3,439,181 issued and 3,309,181 outstanding (without treasury stock) at March 31, 1992	1,733	1,683
Common Stock Subscribed	(525,000)	(525,000)
Additional Paid in Capital	6,048,723	6,018,773
Contributed Capital	10,818	10,818
Accumulated Deficit during the Development Stage	(1,071,479)	(943,518)
Less Treasury Shares of 130,000,as restated, no cost, and 130,000 at March 31, 1992	(-)	(-)
	4,464,795	4,562,756
	$5,166,664	$5,121,147

The accompanying Notes are an integral part of the financial statements.

SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

STATEMENTS OF OPERATIONS

For the three months ended March 31, 1991
and for the period from inception (October 27, 1988) to March 31,1991

	THREE MONTHS ENDED MARCH 31 1992	MARCH 31 1991	FOR THE PERIOD FROM INCEPTION TO MARCH 31 1992
REVENUE			
Services	$ -	$ -	$ -
EXPENSES			
General and Administrative	140,801	103,912	1,440,843
Legal	5,315	-	88,270
Rent	14,519	15,657	117,488
Research and development	-	-	5,782
Depreciation and Amortization	3,331	2,552	25,475
Total Expenses	163,966	122,121	1,677,858
Other Income (Expenses)			
Interest Expense	(2,878)	(2,629)	(18,824)
Miscellaneous	-	(2,135)	(3,838)
Investment,at Equity	38,879	-	628,621
Interest Income	6	8	422
	36,007	(4,756)	606,381
NET (LOSS) BEFORE PROVISION FOR INCOME TAX	(127,959)	(126,877)	(1,071,477)
Provision for Income Tax	-	-	-
NET (LOSS)	$(127,959)	$(126,877)	$(1,071,477)
(LOSS) PER SHARE	$(.04)	$(.05)	$(.3)
Weighted Number of Common Shares Outstanding	3,439,181	2,270,054	3,439,181

The accompanying Notes are an integral part of the financial statements.

SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the three months ended March 31, 1992
and for the period from inception (October 27, 1988) to March 31, 1992

	THREE MONTHS ENDED		FOR THE PERIOD FROM INCEPTION TO
	MARCH 31 1992	MARCH 31 1991	MARCH 31 1992
CASH FLOWS FROM OPERATING ACTIVITIES			
NET (LOSS)	$(127,959)	$ (126,877)	$ (1,071,477)
Adjustments to reconcile net loss to net cash provided by operations			
Stock issued for services	30,000	-	140,000
Depreciation	3,331	2,552	22,349
Amortization of Organizational Costs	-	1	15
Equity in earnings from income from the investee	(38,880)	-	(628,631)
(Increase) Decrease In:			
Inventory	-	-	(160,000)
Deposits	(9,900)		(14,923)
Increase (Decrease) In:	-	-	-
Accrued Wages-Officers	58,500	34,500	430,500
Accrued Interest Payable	3,010	1,912	13,476
Accrued Payroll Taxes	414	255	592
Escrow	-	(3,272)	12,929
Trade Accounts Payable	12,231	(5,014)	100,856
NET CASH USED BY OPERATING ACTIVITIES	(69,353)	(5,014)	(1,154,314)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of Fixed Assets	(-)	(-)	(80,108)
	(-)	(-)	(80,108)

The accompanying Notes are an integral part of the financial statements.

SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the three months ended March 31, 1992
and for the period from inception (October 27, 1988) to March 31, 1992

	THREE MONTHS ENDED		FOR THE PERIOD FROM INCEPTION TO
	MARCH 31 1992	MARCH 31 1991	MARCH 31 1992
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuing Common Stock	$ -	$ 198,036	$ 1,261,372
Commission paid on Stock Sale	-	(24,971)	(143,016)
Nonaccountable offer expenses	-	-	(14,668)
Stock to be issued	-	-	(12,945)
Contributed Capital	-	-	10,818
New Borrowings			
Short Term	-	7,000	-
Long Term- Officers	26,761		66,277
Long Term	43,828	-	64,217
Debt Reduction:			
Long term-officers	( )	(48,464)	
Long Term	(1,266)	(1,134)	-
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	69,323	130,500	1,232,055
NET INCREASE (DECREASE)	70	34,557	(2367)
CASH AT BEGINNING OF THE PERIOD	563	2,870	3000
CASH AT THE END OF THE PERIOD	$ 633	$ 37,427	$ 633

SUPPLEMENTAL DISCLOSURES

Non cash operating and financial activities

Treasury Stock, no cost	$ -	$ -	$ -
Reverse Stock Split 5 into 1	$ -	$ -	$ -
Stock Acquisition	$ -	$ -	$4,304,723
Stock issued for services	$ 30,000	$ 13,000	$ 115,000

The accompanying Notes are an integral part of the financial statements.

SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Special Delivery Systems, Inc.,(The Company) whose name was changed September 22, 1989 from Ran/Cor Ventures, Inc. (A Development Stage Company), was incorporated on October 27, 1988, under the laws of the State of Colorado. Before the stock transfer to the new management, the Company was a wholly owned subsidiary of the Park Group, Ltd. (Park), and had no substantial operations or substantial assets since inception. Its general business purpose was to seek out and obtain, through an acquisition or merger transaction, assets or a business opportunity which will benefit its shareholders. On August 26, 1989, a stock transfer agreement was signed between Park and the purchasers who on August 28, 1989 became the principal owners and management of the company. The Company will engage in small package delivery on a statewide same day and national overnight basis, with plans to expand.

NOTE 2 - ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1992.

MARKETABLE SECURITIES

In accordance with Financial Accounting Standards Board Statement No. 12, marketable securities include securities which can be readily purchased or sold using established selected markets (See Note 3). Such securities are stated at cost which approximates market. Since the securities acquired are in excess of 20% of the total outstanding stock of that issuer, this transaction is accounted for as an equity interest as per AICPA Accounting Principles Board Opinion number 16.

Realized gains or losses are determined on specific identification method and are reflected in income. Unrealized losses on current marketable securities are recorded directly in net income in the period in which they occur. At December 31, 1991, there were no significant gains or losses.

SPECIAL DELIVERY SYSTEMS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

INCOME TAXES
The Company provides for significant timing differences in the recognition of revenue and expenses for financial reporting and income tax reporting purposes. The company currently has no provision for federal income tax as it is currently operating at a loss through March 31, 1992. As of December 31, 1991, the company has no adopted the new FASB 107, accounting for income taxes. At December 31, 1991, the company has a net operating loss carryforward of approximately $44,000 to the year 2006. At March the company has operating loss carryforward of additional approximately 130,000 to the year 2007.

The Compary has elected a fiscal year end of December 31.

RESTATEMENT OF FINANCIAL STATEMENTS
In February 1990, the Company filed with the Securities and Exchange Commission restated 1989 financial statements, to reflect a reverse stock split. Refer to Note 9 for details of the stock split.

NOTE 2 - ACCOUNTING POLICIES (Continued)

LOSS PER SHARE
Loss per common share is computed on the basis of the weighted average number of shares of common stock equivalents outstanding during the period (2,278,054 for 1990 and 2,913,971 for inception to December 30, 1991 and 3,439,181 for the quarter ended March 31, 1992.

NOTE 3 - MARKETABLE SECURITIES
The company's intent for investing its common stock in the marketable securities is capital gains with the intent to sell these securities in the current period. The securities are non public shares with its select market within the insurance industry. At December 31, 1991, the company has an offer from another insurance company to acquire these securities.

The Company has entered into a Stock Exchange Agreement on October 28, 1991 to exchange 614,960 shares of the company common stock at a value of $7.00 per share for $ 4,304,723 for 20.01% of the marketable securities (Surplus Line carrier insurance company) common and preferred stock. Since marketable securities are over 20% ownership in the company, this transaction is being accounted for on the equity method: The Marketable Securities Condensed Financial statements are as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - MARKETABLE SECURITIES (Continued)

PACIFIC INTERNATIONAL INDEMNITY CO, LTD
CONDENSED BALANCE SHEET
JUNE 30, 1991
(AUDITED)

ASSETS	
Cash and Cash Equivalent	$ 180,531
Investments in Securities	17,747,682
Other Current Assets	17,339
Notes Receivable	2,575,000
Office furniture and fixtures, net	105,980
Other assets	790,000
	$ 21,416,532
LIABILITIES AND STOCKHOLDER'S EQUITY	
Losses and loss-adjustment expenses	$ 343,000
Insurance Claims Payable	215,389
Other current liabilities	45,419
Stockholder's Equity	$ 20,812,724
	21,416,532

CONDENSED INCOME STATEMENT
FOR THE PERIODS ENDED

	June 30, 1991 (AUDITED)	December 31,1991 (UNAUDITED)
Revenue	$ 3,071,287	$4,023,813
Claims and expenses, franchise taxes	(1,760,940)	(2,386,919)
Net Earnings	$1,310,347	$1,636,894
Net Earnings per common stock	$ 5.25	$ 6.56
Weighted Shares Outstanding	249,590	249,590

The quarter ended earnings were estimated since the investment company did not have final financial statements completed at the time the 10Q was due. There will be a form 8 filed as soon as the financial information is available.

NOTE 4 - RELATED PARTY TRANSACTION

Legal Fees

Legal services have been provided to the Company by the law firm of JAMES R. LEONE, a director of the Company. Legal services payments were made of $10,313 in cash and $13,000 in stock at the prior public offering price of $5.00 per share.

Long Term Debt- Officers

The stockholders have advanced loans to the company for offering and operating expenses. See Note 8.

NOTE 5 - ORGANIZATIONAL COSTS

The Organizational costs are being amortized over a period of sixty months, beginning October 27, 1988. Amortization as of March 31, 1992 was $1 and as of December 31, 1991 was $4.

NOTE 6 - STOCK ISSUABLE

The Company has received proceeds for the sale of stock from the underwriter, but certificates for 2,584 shares were not issued by the transfer agent because of lack of purchaser's data from the previous underwriter. For financial report purposes the company has treated these shares as issued but not outstanding. At December 31, 1991, this amount included approximately $12,929 in proceeds from sale of stock and stock for legal services of $13,000.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

OFFICE EXPENSE

The Company as of December 31 is paying two office leases. The first is a temporary lease for approximately $400 per month. The second is a permanent lease that the company entered into for its office facilities effective February 13, 1990. The lease consists of a base rental amount which was determined February 13, 1990. The lease agreements generally require that the Company pay applicable property taxes and provide maintenance.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

OFFICE EXPENSE (Continued)

The lease expires June, 1995. Future minimum rental payments required under the lease are as follows:

1992	34,425
1993	51,750
1994	56,250
1995	29,588
	$ 172,013

Rent expense for the years ended March 31, 1992 and 1991 were $14,519 and $75,818 respectively.

Note 8 LONG TERM DEBT

Long term debt at March 31, 1992 consists of the following:

Prime plus 2% note payable to a bank due in monthly installments of $577, maturing September 1995 secured by automobile, guaranteed by a stockholder/ officer-director.	$20,311
Less Current Portion	3,601
	$16,710

Aggregate maturities under these agreements for the five years subsequent to March 31, 1992 are as follows:

1992	5,191
1993	6,921
1994	6,921
1995	5,767
	24,800
Less Interest	4,489
Less Current Portion	3,601
	$ 16,710

Total Interest Cost of all debt was $3,141.

	1991	1992
Note Payable to Officers-Stockholders, due on demand including 12% interest annually, unsecured, for advances (loans) of offering and operating expenses.	$39,516	$ 66,277
Loans Payable to stockholder, due on demand. including 12% interest annually, secured by company stock		$43,828

Note 8 LONG TERM DEBT (Continued)

Office equipment is being held under a number of noncancellable capital leases originating in 1991 with terms of twenty four months. These assets are stated on the balance sheet at their capitalized cost of $801. Accumulated depreciation of $240 has been recognized to date.

Following is a schedule of future lease payments under these leases:
Year ending December 31:

1992	$ 80
Total lease payments	
Less amount representing interest	2
Present value of future lease payments	$ 78
This amount is stated in the balance sheet as follows:	
Current portion	$ 78
Obligation	$ 78

NOTE 9 - STOCKHOLDERS' EQUITY:

As of August 28, 1989, the Company had a change of management in connection with a private sale of a controlling block of stock of 2,086,200 shares by shareholders. The new management has proposed to offer to the public for cash up to 700,000 common shares (Subject to adjustment). Of the 313,800 Units (each containing one Common share, one A Warrant and one B Warrant) which had been spun off as a dividend to the shareholders of the Company's former parent, The Park Group, Ltd.,(Park) 130,000 Units were returned to the Company as treasury securities, leaving 183,800 Units issued. Filings on Form 8-K and Form S-1 have been filed with the U.S. Securities and Exchange Commission to reflect the foregoing. Expenses of the filing and miscellaneous operating costs are being borne by the new shareholders until the offering is made. The registration became effective March 26, 1990 and a number of shares were sold as described in other notes. A post-effective amendment was filed to reflect a new underwriter, and was declared effective January 23, 1991. The Company terminated the offering on October 23, 1991.

On February 20, 1990 the Company filed an amendment of the Articles of Incorporation to cause a five into one reverse stock split whereby each five shares of the Company's outstanding $.0001 par value common stock were exchanged for one share of $.0005 par value common stock. The number of authorized Common Shares correspondingly decreased from 100,000,000 to 20,000,000.

NOTE 9 - STOCKHOLDERS' EQUITY: (Continued)

To help maintain the same capitalization balance as before the common stock share consolidation, the preferred stock also was consolidated 5 into 1, increasing its par value from $.0001 to $.0005 and reducing the authorized shares from 50,000,000 to 10,000,000.

The Company is authorized by its Articles of Incorporation (after the February 20, 1990 filing of an Amendment) to issue 20,000,000 shares of common stock, $.0005 par value, of which 2,400,000 are issued and 2,270,000 were outstanding (with 130,000 treasury shares, at no cost) at December 31, 1989, as restated 2,425,213 issued and 2,291,976 outstanding at December 31, 1990, and 3,339,181 issued and 3,209,181 outstanding at December 31, 1991. At March 31, 1992, 3,349,181 issued and 3,309,181 outstanding.The Company is also authorized to issue 10,000,000 shares of $.0005 par value preferred stock, none of which is issued and outstanding at December 31, 1991.

All of the Company's outstanding shares had been held by The Park Group Ltd., which distributed, through dividends, 313,800 of the outstanding shares of the Company, to Park shareholders. Certificates for 21,220 units were not issued to Park shareholders by the transfer agent because of state "blue Sky" law restrictions. As a result of the distribution, the Company has approximately 802 beneficial shareholders, as of December 31, 1991 .

The Company has also been authorized to issue immediately detachable Class A and B warrants. The warrants were unitized with Common Stock on the basis of one share combined with one Class A warrant and one Class B warrant. The class A warrants were exercisable at $2.50 per share before July 31, 1989 extended to October 30, 1990, at which date all of them were permitted to expire with out being exercised. The Class B warrants are exercisable at $5.00 before December 31, 1989 extended to July 31, 1992 and subject to further possible extension to no later then December 31, 1992. The Company may redeem the warrants at $.0005 per warrant at any time with a least thirty days written notice. The number of shares which are reserved and available for exercise of the class B warrants is 313,800 shares, based on the spin-off of 313,800 units.

On October 28, 1991 effective September 30, 1991, the Company acquired approximately 20% of an equity interest in Pacific International Indemnity Co. Ltd. (marketable securities) in a British Virgin Islands a surplus line carrier participating in primary insurance and reinsurance arrangements on health coverage, property and casualty exposures, worldwide. The Company filed its form 8" Current Reports" that reported this transaction.

NOTE 9 - STOCKHOLDERS' EQUITY: (Continued)

In December 1991, the Company has agreed to sell restricted Stock to an investor. The company has not received the proceeds from that investor at March 31, 1992. Therefore the stock is considered as subscribed common stock at March 31, 1992.

-END OF NOTES-

(Part I - Financial Information, continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company is a development stage company and has not conducted any business operations. The Company had virtually no cash resources and no prospects for liquidity except by the offering of its Common Stock pursuant to its January 23, 1991 Final Prospectus. Such offering was temporarily suspended after July 24, 1990 pending effectiveness of Post-Effective Amendments No. 1 and 2, and the offering recommenced on January 23, 1991 through October 23, 1991. (See Item 5 "Other Information" herein.) The Prospectus is physically filed as part of the Company's Form S-1 Registration Statement, Commission File No. 33-31865, and also was physically filed as Exhibit No. 28(a) to the Company's Form 10-K Annual Report to the Commission for the Year Ended December 31, 1990, File No. 33-26179.

The Company's material commitments for capital expenditures as of the latest fiscal period are set forth in the Prospectus under "Use of Proceeds", which is incorporated herein by reference. The general purpose of such commitments is to establish the Company's business on a sound basis so as to seek possible revenues for the benefit of the Company's shareholders.

The anticipated source of funds needed to fulfill such commitments is investment by public shareholders. As a result of an exchange of stock with Pacific International Indemnity Co., Ltd. ("PIIC"), the Company has assets to use as collateral to allow the Company to borrow. At the present time, there is no available external funding source other than sale of the shares and exercise of the presently outstanding Class B Warrants, as described in the Prospectus, which cannot be assured (or possibly a sale of other securities, not presently intended).

The Company utilized all of the cash reserves shown on its November 3, 1988 Balance Sheet in the process of seeking the new business which it now is undertaking. The $15,000 line of credit from the Company's former parent company, PARK GROUP, LTD., which was established for seeking the business, was terminated because the business was located and acquired.

The Company has been negotiating at some length with potential lenders for funding to supplement or replace part of the proceeds of this offering. Because the size, interest rate and other terms of such a loan, and the probability of the loan being consummated, are not yet sufficiently certain, no attempt has been made to reflect such debt funding in the FINANCIAL PROJECTIONS in the Prospectus. For the same reasons, it is unclear whether such funding would have a material effect on the projections, and whether it would increase or decrease the return (if any) on shareholders' equity. However, it would add a debt service burden to the Company's cash flow.

In addition, it should be noted that because the Company is a developmental stage company and has not yet commenced full business operations, the expenditures on securities offering expenses, general administration, and other overhead costs during such period without the receipt of operating revenues, resulted in a net loss, negative cash flow from operations (except the third quarter of 1991, as a result of the PIIC exchange of stock), and an accumulated shareholders' deficit.

PART II - OTHER INFORMATION.

Item 1. Legal Proceedings

No material proceedings were pending or terminated.

Item 2. Changes in Securities

A Warrant Expiration, B Warrant Extensions. The B Warrants to purchase Common Stock of the Company, at $5.00, were extended (by Notices mailed to all Warrantholders) to 4:00 P.M. Eastern Time on December 31, 1991. The Class A Warrants expired on October 31, 1990 without being exercised. The Company's shareholders approved (by a November 28, 1990 Consent) extensions of the Class B Warrants up to December 31, 1992. The Warrants are presently extended to July 31, 1992. The other terms of the Warrants remain as described in the Company's Prospectus referred to in Part I Item 2, and Part II Item 5, in this report.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to A Vote of Security Holders

During the quarter of the fiscal year for which this report is filed, the Company submitted one or more matters to a vote of security holders through the solicitation of proxies or otherwise, as follows:

NONE.

Item 5. Other Information

A. Securities Offering.

(1) Offering Commenced March 26, 1990; Size of Offering. On March 26, 1990 the SPECIAL DELIVERY SYSTEMS, INC. Form S-1 Registration Statement File No. 33-31865 was declared effective by the U.S. Securities and Exchange Commission. Pursuant to the Registration Statement, the Company was offering to the public for cash up to 700,000 shares of the Company's Common Stock $.0005 par value, at $5.01 per share. The aggregate proceeds (up to $3,507,000) were intended to be applied to the Use of Proceeds set forth in the March 26, 1990 Final Prospectus contained in the Registration Statement, for the purpose of establishing the Company's SAME DAY express delivery business and seeking a return for its shareholders.

(2) Underwriter Replaced To Continue Offering On Revised Terms. The original offering Underwriter, American Wallstreet Securities, Inc., ceased operations on July 24, 1990, and accordingly the Company temporarily suspended the offering. The Company selected a replacement Underwriter, **EURO-ATLANTIC SECURITIES, INC.**, and filed Post-Effective Amendments No. 1 and 2 to reflect the replacement of the Underwriter and certain other changes in the offering items, including an increase in the offering price from $5.01 to $7.00, expiration of Class A Warrants, authorization of Class B Warrant extensions, proposed listing of the stock on the Boston Stock Exchange (upon receipt of $1,000,000 of proceeds and meeting other criteria), a slightly modified use or proceeds, and certain other changes. Upon effectiveness of such Post-Effective Amendments on January 23, 1991, the offering was resumed, and exercise of Class B Warrants may be effectuated.

(3) Prospectus And Registration Information. The January 23, 1991 Final Prospectus which is part of the Registration Statement has been physically filed as Exhibit No. 28(a) to the SPECIAL DELIVERY SYSTEMS, INC. Form 10-K Annual Report to the Commission for the year ended December 31, 1990, Commission File No. 33-26179. The Registration Statement (Commission File No. 33-31865) contains the Prospectus plus other information relating to the Company, including certain documents filed as Exhibits, as set forth in the Exhibit list contained in Post-Effective Amendment No. 2.

B. Amount And Use Of Proceeds.

Periods Ended September 30, 1990 and December 31, 1990. As of September 30, 1990 the amount of proceeds received and applied in regard to the public offering described above was $126,317, reflecting sale of approximately 25,213 shares of Common Stock, $.0005 par value per share, at $5.01 per share, the initial public offering price. Such proceeds were applied for the purposes specified in "Use of Proceeds" in the Company's March 26, 1990 Prospectus. As indicated above, no sales occurred after July 24, 1990 because the prior Underwriter ceased operations.

Quarter Ended March 31, 1991. Between January 23, 1991 (when stock sales recommenced) until March 31, 1991, approximately 28,296 shares were sold at the increased sale prices of $7.00 per share, yielding gross proceeds of approximately $198,022. Such proceeds were applied for the purposes specified in the Company's January 23, 1991 Prospectus.

Quarter Ended June 30, 1991. From April 1, 1991 through June 30, 1991, approximately 150,927 shares were sold at $7.00 per share for gross proceeds of approximately $1,056,489. Such proceeds were applied for the purposes specified in the Company's January 23, 1991 Prospectus.

Quarter Ended September 30, 1991. From June 30, 1991 through September 30, 1991, approximately 500 shares were sold at $7.00 per share for gross proceeds of approximately $3,500. Such proceeds were applied for the purposes specified in the Company's January 23, 1991 Prospectus.

Quarter Ended December 31, 1991. From October 1 to October 23, 1991, when the Company terminated the offering, approximately 1,000 shares were sold at $7.00 per share for gross proceeds of approximately $7,000. Such proceeds were applied for the purposes specified in the Company's January 23, 1991 Prospectus.

C. Exchange of Stock. As reported in the Company's Form 8-K Current Report for October 28, 1991, on that date, effective as of September 30, 1991, the Company executed a Stock Exchange Agreement with Pacific International Indemnity Co., Ltd., a British Virgin Islands insurance carrier. The results of that acquisition are reflected in the Financial Statements.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

None which are not "previously filed" as defined in Rule 12b-2 pursuant to Form 10-Q General Instruction G.

(b) Reports on Form 8-K.

The Company has not filed a report on Form 8-K during the quarter of the fiscal year for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPECIAL DELIVERY SYSTEMS, INC.

DATE: May 19, 1992

By: SAMER S. MAJZOUB, President
(Duly Authorized Officer)

DATE: May 19, 1992

James B Call

By: JAMES B. CALL, Treasurer
(Principal Financial or Chief
Accounting Officer)

NOTE BY LEGAL COUNSEL: Pursuant to Form 10-Q General Instruction G, a single signature is acceptable in the case where the principal financial officer or chief accounting officer is also duly authorized to sign on behalf of the Registrant, provided that the Registrant clearly indicates the dual responsibilities of the signatory.

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0-35009

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

92 14 4179

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended:
March 31, 1992

S92-2232

Commission file number 0-19711

The Spectranetics Corporation

(Exact name of Registrant as specified in its charter)

Delaware	**84-0997049**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

96 Talamine Court
Colorado Springs, Colorado 80907
(719) 633-8333
(Address of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

As of April 24, 1992, there were 9,726,448 outstanding shares of Common Stock.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

THE SPECTRANETICS CORPORATION

Condensed Balance Sheets (Unaudited)
(In Thousands, Except Shares)

March 31, 1992 and December 31, 1991

Assets	March 31, 1992	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 15,107	3,015
Short-term investments	20,459	759
Accounts receivable:		
Trade	270	458
Medtronic	84	374
Inventories (note 3)	2,716	2,134
Prepaid expenses	322	97
Deferred offering costs	0	375
Total current assets	38,958	7,212
Net property and equipment	1,961	1,591
Other assets	101	101
	$ 41,020	8,904
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,000	2,666
Current portion of capital lease obligations	226	182
Total current liabilities	2,226	2,848
Capital Lease Obligations, excluding current portion	304	264
Total liabilities	2,530	3,112
Stockholders' equity:		
Common stock, $.01 par value. Authorized 100,000,000 shares; issued and outstanding 9,677,570 and 6,637,474 shares	10	7
Additional paid-in capital	65,290	28,862
Accumulated deficit	(26,810)	(23,077)
Total stockholders' equity	38,490	5,792
	$ 41,020	8,904

See accompanying notes to condensed financial statements.

THE SPECTRANETICS CORPORATION

Condensed Statements of Operations (Unaudited)
(In Thousands, Except Per Share Data)

For the Three Months Ended March 31, 1992 and 1991

	Three Months Ended March 31,	
	1992	1991
Sales:		
Trade	$ 324	784
Medtronic	294	288
	618	1,072
Costs and operating expenses:		
Cost of sales:		
Trade	764	524
Medtronic	500	56
	1,264	580
Research and development expense	1,648	1,212
General and administrative expense	799	540
Marketing and sales expense	889	459
Total costs and operating expenses	4,600	2,791
Loss from operations	(3,982)	(1,719)
Other income (expense):		
Interest income	260	48
Interest expense	(13)	0
Other, net	2	4
	249	52
Net loss	$ (3,733)	(1,667)
Loss per share (note 2)	$ (0.41)	(0.30)

See accompanying notes to condensed financial statements.

THE SPECTRANETICS CORPORATION

Condensed Statements of Cash Flows (Unaudited)
(In Thousands)

For the Three Months Ended March 31, 1992 and 1991

	Three Months Ended March 31,	
Cash flows from operating activities:	1992	1991
Net loss	$ (3,733)	(1,667)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation & amortization	343	7
Net changes in operating assets and liabilities	(995)	(261)
Net cash used in operating activities	(4,385)	(1,921)
Cash used in investing activities:		
Capital expenditures	(396)	(146)
Net purchase of short-term investments	(19,700)	0
Net cash used in investing activities	(20,096)	(146)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	35,988	5
Proceeds from exercise of warrants	638	--
Principal payments on obligations under capital leases	(48)	--
Cash payout in lieu of partial shares	(5)	--
Net cash provided by financing activities	36,573	5
Net increase (decrease) in cash and cash equivalents	12,092	(2,062)
Cash and cash equivalents at beginning of period	3,015	4,847
Cash and cash equivalents at end of period	$ 15,107	2,785
Supplemental disclosures of cash flow information - cash paid for interest	$ 13	--
Supplemental disclosure of noncash investing and financing activities:		
Capital lease obligations	$ 132	--

See accompanying notes to condensed financial statements.

THE SPECTRANETICS CORPORATION

Notes to Condensed Financial Statements (Unaudited)

March 31, 1992 and December 31, 1991

---

(1) General

The information included in the accompanying condensed interim financial statements is unaudited and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's latest Annual Report on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

(2) Loss Per Share

The loss per common share does not reflect the assumed exercise of stock options, since the effect of such inclusion would be antidilutive. The weighted average number of shares for purposes of computing loss per share was 8,996,717 and 5,602,049 for the three months ended March 31, 1992 and 1991, respectively. The weighted average number of shares outstanding gives retroactive effect to a 1 for 2.4 stock split effected in December 1991, and the conversion of preferred stock into common stock on January 28, 1992.

(3) Inventories

Components of inventories are as follows (in thousands):

	March 31, 1992	December 31, 1991
Finished Goods	$ 671	$ 838
Work in process	1,540	724
Raw Materials	505	572
	$ 2,716	$ 2,134

(4) Contingencies

On November 26, 1991, the Circulatory System Devices Panel (the "Advisory Panel") to the Food and Drug Administration (the "FDA") recommended that the FDA approve the Company's CVX-300™ laser and two sizes of catheters. On March 20, 1992, the Center for Devices and Radiological Health of the FDA concurred with the Advisory Panel's recommendation to approve the CVX-300™ laser and two sizes of catheters subject to the revision of certain labeling requirements. Final approval by the FDA of the Company's premarket approval application ("PMA") for the CVX-300™ laser and these catheters is required prior to commercial sale of the Company's products in the United States. There can be no assurance that the FDA will accept the Advisory Panel's recommendation and approve the Company's PMA.

The Company is aware of certain patents covering basic areas of laser technology which may be infringed by the Company's products. In such instances the Company has accrued in the accompanying financial statements royalty expense which it estimates will be payable on production through March 31, 1992. The Company has obtained a nonexclusive royalty-bearing license on one of these patents. The Company has received letters from other parties regarding certain patents which management believes are not infringed by the Company, based upon advice of patent counsel.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations:

Sales for the three months ended March 31, 1992, were down 42% from the corresponding period in the prior year. Net loss for the three months ended March 31, 1992, was $3.7 million verses $1.7 million for the corresponding period in the previous year. Until the Company receives approval from the Food and Drug Administration (FDA) to begin commercial sales of its products, revenue opportunities for the Company have been and will be limited to sales of catheters to existing sites, sales of laser systems in Europe and to several additional approved clinical sites. Management anticipates the Company will continue to experience these losses until after the Company receives FDA approval and is able to actively market its laser systems and catheters for a period of time. Since there is no assurance that the Company will receive FDA approval, future revenue performance is unpredictable.

The gross profit percentage for the three months ended March 31, 1992, was a negative 105% compared to a positive gross margin of 46% for the three months ended March 31, 1991. The decrease in gross margin reflects increases in production capacity placed in-service in anticipation of FDA approval and higher production volumes. The Company has increased its production capacity in excess of its current requirements. This excess capacity is being expensed on a current basis resulting in a negative gross margin.

Operating expenses for the three months ended March 31, 1992, were 51% higher than the corresponding period in the prior year. This increase was primarily due to increases in marketing and sales staff in anticipation of receiving final FDA approval, increased research and development expenses, deferred compensation charges for 1991 employee stock options and severance payments for an officer who resigned during the period.

Interest income for the three months ended March 31, 1992, was higher than the three months ended March 31, 1991. This increase reflects the investment of the proceeds from the initial public offering in cash equivalents and short term investments. Interest expense for the current three months is due to the capitalization of financing leases.

Liquidity and Capital Resources

The Company completed an initial public offering on January 28, 1992, resulting in net proceeds to the Company of approximately $35.6 million. The Company has invested the proceeds from the public offering in short term, interest-bearing securities. The Company believes that as a result of its initial public offering, its liquidity and capitalization will be sufficient to meet the Company's operating expenses and capital requirements through mid-1993. In the event of delay in the receipt of FDA approval or failure to receive it, the Company may need to seek additional financing which may not be available on favorable terms or at all.

PART II. OTHER INFORMATION

Items 1-5. *Not Applicable*

Item 6. *Exhibits and Reports on Form 8-K*

(a) Exhibits:

None

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Spectranetics Corporation
(Registrant)

May 13, 1992

By____________________
Robert J. DePasqua
President and Chief Executive Officer

May 13, 1992

By____________________
George H.M. Rountree
Vice President, Chief Financial Officer and
Treasurer

09321
Q-33024

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

13

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

5
8

For the Quarterly Period Ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

T92-2232

For Quarter Ended March 31, 1992 Commission file number 0-1283

THE STATESMAN GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	#42-0951848 (I.R.S. Employer Identification No.)
1400 Des Moines Building Des Moines, Iowa (Address of principal executive offices)	50309 (Zip Code)

Registrant's telephone number, including area code (515) 284-7500

Not applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, $1 par value-13,055,634

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The Exhibit Index to this report is located on page 24.
This is page 1 of 31.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Balance Sheets
$(thousands)

ASSETS	March 31 1992 (Unaudited)	December 31 1991 (Audited)
Investments		
Fixed maturities	$2,481,408	$2,417,253
Equity securities	4,594	3,618
Mortgage loans on real estate	154,008	159,240
Policy loans	51,026	50,389
Short-term investments	11,599	5,450
Other	5,783	5,849
TOTAL INVESTMENTS	2,708,418	2,641,799
Cash	1,702	5,947
Receivables		
Agents' balances and uncollected premiums	7,927	7,976
Accrued investment income	45,518	40,595
Other notes and accounts	5,542	5,737
Allowances	(6,181)	(6,171)
TOTAL RECEIVABLES	52,806	48,137
Deferred policy acquisition costs	224,387	222,660
Property and equipment	8,631	8,709
Excess of cost over net assets of acquired subsidiaries	2,838	2,844
Other assets, principally real estate acquired in satisfaction of debt	6,609	6,948
Assets held in separate accounts	19,613	20,248
TOTAL ASSETS	$3,025,004	$2,957,292

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Balance Sheets--Continued
$(thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31 1992 (Unaudited)	December 31 1991 (Audited)
Liabilities		
Policy liabilities and accruals	$2,748,549	$2,694,446
Other policyholders' funds	49,417	47,249
Accrued expenses and other liabilities	42,803	37,858
Federal income taxes	3,062	2,845
Long-term debt	64,999	65,189
Liabilities related to separate accounts	19,613	20,248
	2,928,443	2,867,835
Commitments and contingencies		
Redeemable preferred stock		
1987 Series II Preferred Stock $1 Par, at redemption and liquidation value, net of ESOP loan guarantee--1992-84,183 shares; 1991-84,213 shares	2,418	1,421
Stockholders' equity		
Series Preferred Stock $1 Par 5,000,000 shares authorized, including redeemable preferred shares; 343,640 shares issued and outstanding (aggregate liquidation preference $15,364)	344	344
Common stock, $1 par value 25,000,000 shares authorized; 14,252,127 shares issued	14,252	14,252
Additional paid-in capital	50,373	50,371
Unrealized depreciation of equity securities	(710)	(678)
Retained earnings	32,975	26,839
Common stock in treasury, at cost 1992-1,196,493 shares; 1991-1,196,941 shares	(3,091)	(3,092)
TOTAL STOCKHOLDERS' EQUITY	94,143	88,036
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,025,004	$2,957,292

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Statements of Income (Unaudited)
$(thousands)

	Three Months Ended March 31 1992	 1991
Revenue		
Premiums and policy fund charges	$ 13,675	$ 13,205
Net investment income	65,136	57,941
Realized gains on investments	1,382	17
Other	766	963
	80,959	72,126
Benefits, losses and expenses		
Benefits, claims, losses and settlement expenses	55,483	53,678
Amortization of deferred policy acquisition costs	5,963	4,270
Underwriting, acquisition, insurance and other expenses	9,336	7,367
Interest	1,359	1,364
	72,141	66,679
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	8,818	5,447
Federal income tax expense	3,039	1,840
INCOME FROM CONTINUING OPERATIONS	5,779	3,607
Net loss from discontinued operations, less applicable income taxes	(10)	(41)
INCOME BEFORE EXTRAORDINARY ITEM	5,769	3,566
Extraordinary item--reduction of federal income tax expense arising from carryforward of prior years' realized losses on investments and non-life operating losses	550	
NET INCOME	6,319	3,566
Less dividend requirements of Series Preferred Stock $1 Par, less applicable income tax benefits	427	486
NET INCOME APPLICABLE TO COMMON STOCK	$ 5,892	$ 3,080

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Statements of Income (Unaudited)--Continued

	Three Months Ended March 31	
	1992	1991
Net income per common share		
Primary		
Income from continuing operations	$ .40	$ .24
Net loss from discontinued operations	-	-
INCOME BEFORE EXTRAORDINARY ITEM	.40	.24
Extraordinary item--reduction of federal income tax expense arising from carryforward of prior years' realized losses on investments and non-life operating losses	.04	
NET INCOME	$ .44	$ .24
Average shares outstanding used in computations (in thousands)	13,510	12,748
Fully diluted		
Income from continuing operations	$ .33	$ .21
Net loss from discontinued operations	-	-
INCOME BEFORE EXTRAORDINARY ITEM	.33	.21
Extraordinary item--reduction of federal income tax expense arising from carryforward of prior years' realized losses on investments and non-life operating losses	.03	
NET INCOME	$ .36	$ .21
Average shares outstanding used in computations (in thousands)	17,098	16,433

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
$(thousands)

	Three Months Ended March 31	
	1992	1991
Operating activities		
Income before extraordinary item	$ 5,769	$ 3,566
Adjustments to reconcile net income to net cash from operating activities	36,450	37,365
NET CASH FROM OPERATING ACTIVITIES	42,219	40,931
Investing activities		
Purchase of investments	(283,217)	(432,846)
Principal repayments on mortgage-backed securities and proceeds from sale or maturity of investments	215,802	325,599
Net purchases of property and equipment	(131)	(221)
NET CASH USED IN INVESTING ACTIVITIES	(67,546)	(107,468)
Financing activities		
Issuance of long-term debt, less payments and net of ESOP loan guarantee	810	11,385
Receipts from interest-sensitive insurance and annuity contracts, less related benefit payments	20,489	50,005
Treasury stock utilized		498
Dividends paid to stockholders	(217)	(292)
NET CASH FROM FINANCING ACTIVITIES	21,082	61,596
Net decrease in cash and cash equivalents	(4,245)	(4,941)
Cash and cash equivalents at beginning of period	5,947	5,743
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,702	$ 802

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 1992

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

NOTE B--COMPUTATION OF EARNINGS PER SHARE

		Three Months Ended March 31 1992	1991
		(in thousands, except per share amounts)	
Primary			
Average shares outstanding		13,056	12,748
Net effect of exercisable stock options		454	
	TOTAL	13,510	12,748
Net income applicable to common stock		$ 5,892	$ 3,080
Per share amount		$ .44	$ .24
Fully diluted			
Average shares outstanding		13,056	12,748
Net effect of exercisable stock options		454	
Assumed conversion of Series Preferred Stock $1 Par		3,588	3,685
	TOTAL	17,098	16,433
Net income after reduction for additional contribution that would be required for ESOP debt service		$ 6,201	$ 3,388
Per share amount		$ .36	$ .21

NOTE C--SERIES PREFERRED STOCK

The Board of Directors is authorized to issue 5,000,000 shares of Series Preferred Stock $1 Par from time to time in one or more series and to fix the number of shares, designations, voting powers (if any), preferences and rights, and qualifications, limitations or restrictions of each series. Each series of Series Preferred Stock $1 Par shall be distinctly designated and, except as otherwise stated, shall rank equally and be identical in all respects.

The Company's redeemable preferred stock consists of 100,000 shares of 1987 Series II Preferred Stock $1 Par, of which there were 84,183 and 84,213 shares outstanding at March 31, 1992 and December 31, 1991, respectively. All shares outstanding are owned by the Company's employee stock ownership plan ("ESOP"). The preferred shares provide that the ESOP may require the Company to redeem the shares if there is a change in control, as defined, of the Company. The outstanding redeemable preferred shares are presented at their $100 per share liquidation preference, net of an existing ESOP loan guarantee.

The table below summarizes the Series Preferred Stock $1 Par included in stockholders' equity at March 31, 1992 and December 31, 1991 (dollars in thousands):

Series	Shares Issued	Liquidation Value
1976	200,000	$ 1,000
1988 I	126,000	12,600
1988 II	17,640	1,764
	343,640	$ 15,364

At March 31, 1992 approximately 3,588,000 shares of common stock were reserved for conversion of Series Preferred Stock $1 Par (includes 1,100,000 shares reserved for conversion of 1987 Series II Preferred Stock $1 Par reported as redeemable preferred stock). Preferred dividends in arrears on the 143,640 shares of 1988 Series I and II Preferred Stock $1 Par aggregated $2,586,000, or $18.00 per share, at March 31, 1992.

NOTE D--CONTINGENCIES

Prior to 1984 a portion of the Company's life insurance subsidiaries' current income was not subject to current income tax, but was accumulated for income tax purposes in memorandum accounts designated as "Policyholders' Surplus Accounts". The balance in the Policyholders' Surplus Accounts at December 31, 1983 of $12,672,000 was "frozen" by tax law changes in 1984 and, accordingly, there will be no additions to the accounts after that date. Should the Policyholders' Surplus Accounts exceed a prescribed maximum or should cash distributions to shareholders exceed certain stated maximums, such excess would become subject to federal income taxes at rates then effective. Management does not intend to take action nor does it expect any events to occur that would cause income tax to be payable on these amounts.

NOTE D--CONTINGENCIES--Continued

The Company's subsidiaries are involved in various pending or threatened legal proceedings arising from the conduct of their businesses. These proceedings in some instances include claims for punitive damages and similar types of relief in unspecified or substantial amounts, in addition to amounts for alleged contractual liability or claims for equitable relief. In management's opinion, after consultation with counsel and a review of available facts, these proceedings will be ultimately resolved without materially affecting the financial condition of the Company.

The Company's subsidiaries reinsure with other insurers that portion of risks exceeding each company's retention limit. Such reinsurance is accounted for as a transfer of risk and, accordingly, premiums, policy liabilities and expenses are reported in the accompanying financial statements net of reinsurance ceded to other companies. The Company would remain obligated for ceded risks if the reinsurers do not meet their obligations under reinsurance treaties. Reinsurance premiums assumed are not significant.

The Company and certain of its subsidiaries have entered into employment continuation agreements with certain executives which provide for payments to these executives of amounts up to four times their annual compensation if there is a change in control of the Company (as defined), and a termination of their employment. The agreements do not constitute employment contracts and only apply in circumstances following a change in control. The maximum contingent liability at March 31, 1992 under these agreements is $3,620,000.

From time to time, mandatory assessments are levied on the Company's insurance subsidiaries by life and health guaranty associations of most states in which these subsidiaries are licensed to cover losses to policyholders of insolvent or rehabilitated insurance companies. These associations levy assessments (up to prescribed limits) on all member insurers in a particular state in order to pay claims on the basis of the proportionate share of premiums written by member insurers in the lines of business in which the insolvent or rehabilitated insurer is engaged. These assessments may be deferred or forgiven in certain states if they would threaten an insurer's financial strength and, in some states, these mandatory assessments can be partially recovered through a reduction in future premium taxes. Until the second half of 1991, the amount of these assessments in prior years had not been material. However, the economy and other factors have recently caused a number of failures of substantially larger companies which could result in future assessments in material amounts. At the present time, the Company is not able to reasonably estimate what amounts will ultimately be assessed to its subsidiaries in the future for failures that have occurred to date and, as such, the accompanying consolidated financial statements do not include any provision for such potential assessments. Assessments levied against the Company's insurance subsidiaries and charged to expense for the three months ended March 31, 1992 and 1991 were $1,245,000 and $11,000, respectively.

NOTE D--CONTINGENCIES--Continued

At March 31, 1992 the Company's primary life insurance subsidiary owned $122,091,000 of interest only strips of mortgage-backed securities. The repayment of these interest only securities is dependent on the actual repayment experience of the underlying mortgage loans. The estimated average yield of the the interest only securities at March 31, 1992 was 11.96%. The possibility exists that the underlying mortgage loans could be repaid prior to the Company's subsidiary recapturing its initial cost for the securities. Included in the interest only securities are mortgage-backed securities with a carrying value of $70,029,000 and an estimated average yield of 15.5% at March 31, 1992 that pay interest at a rate that varies inversely with LIBOR. As interest rates decrease and prepayments on the underlying mortgage loans accelerate, the interest rates on the inverse variable interest only securities are expected to increase and may offset the decreases in yield on the other interest only securities.

On August 15, 1990 the Company filed suit in the United States Claims Court against the United States of America. The pending lawsuit concerns contractual agreements which were made by the Federal Savings and Loan Insurance Corporation and the Federal Home Loan Bank Board, former government regulatory agencies that were abolished by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, to induce the Company to capitalize Statesman Bank for Savings, FSB (the "savings bank"), formerly a wholly-owned subsidiary of the Company, for the purpose of acquiring four failed thrift institutions. In the lawsuit, the Company claims that the defendants have breached their contractual agreements with respect to regulatory capital. Accordingly, the pending lawsuit contends that this breach of contract, which resulted in the disallowance of $21 million of capital that the defendants promised would be perpetual for regulatory accounting purposes, constitutes a taking of the Company's property without just compensation and due process of law, in violation of the Fifth Amendment of the United States Constitution.

The pending lawsuit seeks rescission of the transaction between the Company and the government agencies and monetary relief in the amount of the Company's investment plus compensation for monies expended, costs incurred and the value of benefits conferred on the defendant through the Company's purchase, operation and management of the savings bank, totalling in excess of $30 million.

In 1985 the Company sold Statesman Insurance Company, a former property-casualty insurance subsidiary. As part of this sale and as part of a certain reinsurance agreement between Statesman Insurance Company and an unconsolidated affiliated property-casualty insurance company, the Company guaranteed and indemnified Statesman Insurance Company that it would suffer no loss on the insurance liability reinsured by it in excess of the loss and loss adjustment expense reserves transferred to the affiliate pursuant to the terms of the reinsurance agreement.

NOTE E--SUBSEQUENT EVENT

On May 1, 1992 a wholly-owned subsidiary of the Company filed a registration statement with the Securities and Exchange Commission for the issuance of up to 2,760,000 shares of non-convertible redeemable cumulative preferred stock at a proposed offering price of $25 per share. Approximately two-thirds of the net proceeds from the proposed offering will be contributed to the capital of the Company's primary life insurance subsidiary. The remaining net proceeds will be used to purchase zero coupon U.S. government or government agency securities which will be used for the future redemption of the redeemable cumulative preferred stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

THE STATESMAN GROUP, INC. and Subsidiaries

RESULTS OF OPERATIONS

The discussion that follows should be read in conjuction with the discussion contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Three Months Ended March 31, 1992 Compared to March 31, 1991

Significant factors affecting the comparability of operating results for the quarters ended March 31, 1992 and 1991 are the "investment spread", or the excess of net investment income earned over the interest credited to policyholder account balances, and the amount of realized gains on investments. Operating income, excluding realized gains on investments, increased 35% in 1992 due to a larger investment spread and a larger asset base on which the investment spread was earned. The Company's invested assets increased 13% during the twelve month period ended March 31, 1992 to $2.7 billion, while total assets increased 12% to $3.0 billion, during the same period.

The increase in the investment spread for the quarter ended March 31, 1992 was principally due to declines in the interest rates credited to policyholder account balances. These declines resulted from a general decline in interest rates since the first quarter of 1991 which allowed the Company to reduce interest rates credited in renewal periods below those rates credited in the initial policy year and to reduce initial crediting rates offered on new annuity deposits. At March 31, 1992, the weighted average crediting rate of the Company's annuity liabilities had declined to 6.95% from 7.93% at March 31, 1991.

Even though interest rates in general were lower in the first quarter of 1992 than in 1991, the Company's yield on average invested assets was only 11 basis points lower in the 1992 quarter than in 1991. The Company was able to maintain its 1992 yield near the level of 1991 by increasing its investments in collateralized mortgage obligations and mortgage loans since the first quarter of 1992 (see FINANCIAL CONDITION).

Other significant factors affecting the comparability of operating results between the two quarters were amortization of annuity deferred policy acquisition costs, which increased corresponding to the increase in gross profits resulting from the larger investment spread and larger asset base, and an increase in state guaranty fund assessments (see Note D of Notes to Consolidated Financial Statements and later discussion in this section).

Following are additional comments on the quarter-to-quarter analysis of changes in the individual line items in the consolidated statements of income.

Premiums and policy fund charges increased 4% which consisted of a 1% decrease in life insurance premiums and policy fund charges, a 49% increase in annuity policy fund charges and a 9% decrease in accident and health insurance premiums. Life insurance premiums and policy fund charges decreased primarily due to a decrease in renewal premiums from traditional life insurance offset, in part, by an increase in revenue from universal life insurance policies. The increased policy fund charges from universal life insurance primarily resulted from increased charges earned on policy surrenders.

RESULTS OF OPERATIONS--Continued

Annuity policy fund charges primarily consist of charges earned on policy surrenders which increased due to an increase in annuity liabilities in force. Annuity fund deposits were $75,062,000 and $84,632,000 for the three month periods ended March 31, 1992 and 1991, respectively. This 11% decline in deposits was primarily attributable to lower interest rates and uncertainty regarding proposed tax legislation for annuities which was announced in the first quarter of 1992. The Company does not expect this trend to persist for the balance of the year and expects to meet its goal of $350 million in annuity fund deposits for calendar year 1992.

The decline in accident and health insurance premiums reflects the continuing intention of the Company to reduce operations in this segment. New policies are not being actively solicited and premiums are principally being generated from renewals of guaranteed renewable and non-cancellable individual plans and from renewals and additions to existing group payroll deduction plans.

Net investment income increased 12% due to a 14% increase in average invested assets offset, in part, by the previously discussed 11 basis point decrease in the yield earned on average invested assets.

Generally, gains or losses from the sale of investments are realized based on market conditions not necessarily directly related to insurance operations. Net realized gains in the first quarter of 1992 principally resulted from the sale of higher coupon mortgage-backed securities that were subject to accelerated prepayments due to the general decline in interest rates that occurred in the latter part of 1991. The Company reduced the effect of these sales on its investment yield by reinvesting the proceeds in investment grade corporate bonds, collateralized mortgage obligations and current coupon mortgage-backed securities. In addition, because most of the Company's annuity policies allow the Company to adjust interest crediting rates after the first policy year, any reduction in yield should not materially affect profitability in future periods. Net gains realized on the actual sale of fixed maturity investments in 1991 were offset, in part, by write-downs of corporate debt securities for other than temporary declines in value of $200,000 and by $323,000 for losses on the foreclosure or sale of mortgaged properties.

Other revenue decreased in 1992 principally due to decreases in rental income received from former affiliates that occupied space in the Company's home office building during 1991 and decreased fees received from former affiliates for data processing services.

Benefits, claims, losses and settlement expenses increased 5% which consisted of a 9% increase in life insurance benefits, a 1% increase in annuity benefits and a 55% decrease in accident and health insurance benefits. The increase in life insurance benefits principally resulted from an increase in the interest credited on interest-sensitive life insurance policies due to an increase in policyholder account balances. The small increase in annuity benefits is attributable to a larger volume of business in force in the 1992 quarter which increase was substantially offset by decreases in the interest rates credited on new and existing annuity deposit funds as previously discussed.

RESULTS OF OPERATIONS--Continued

The increase in accident and health benefits was impacted by a $460,000 reduction in previously accrued benefit reserves in the first quarter of 1991 as a result of a favorable settlement of an outstanding claim against the Company. Excluding this item, accident and health insurance benefits would have declined by 7% compared to a 9% decline in accident and health insurance premiums.

Amortization of deferred policy acquisition costs increased 40% as a result of a 75% increase in amortization for annuities offset, in part, by a 10% decrease in amortization for life insurance. The increase in amortization for annuities resulted from a greater volume of business in force and an increase in gross profits earned on this larger volume of business in force. The increase in gross profits generally resulted from a larger profit margin or investment spread on the in force business. The decrease in amortization for life insurance deferred policy acquisition costs resulted from lower amortization on older duration universal life and single premium whole life policies.

Underwriting, acquisition, insurance and other expenses increased 27% which increase reflects an increase in the general level of operating expenses from the prior year quarter. Also, the first quarter of 1992 included a $1,235,000 increase in state guaranty fund assessments charged to expense (see Note D of Notes to Consolidated Financial Statements) and increases in professional and consulting fees.

The decrease in interest expense in 1992 is principally attributable to reduced amounts borrowed under the Company's senior bank credit agreement and lower variable interest rates paid on various outstanding debt. Partially offsetting this decrease is the additional interest incurred on higher outstanding balances borrowed under a $27,000,000 line of credit by one of our subsidiaries.

Federal income tax expense increased 65% on a 62% increase in pretax income from continuing operations. The effective tax rate for 1992 was 34.5% compared to 33.8% in 1991.

The dividend requirements of Series Preferred Stock $1 Par decreased principally due to a lower prime rate of interest used to determine the dividends on the Company's 1987 Series II Preferred Stock $1 Par and fewer shares of such stock outstanding during the 1992 quarter.

FINANCIAL CONDITION--March 31, 1992

Life insurance liabilities generally are long-term in nature, although subject to earlier surrender. The Company seeks to limit exposure to risks associated with interest rate fluctuations by concentrating its invested assets principally in debt securities of intermediate duration, by attempting to balance the duration of its invested assets with the estimated duration of benefit payments arising from contract liabilities and by diversification.

The Company invests primarily in United States Government and government agency mortgage-backed obligations, corporate fixed maturity securities and mortgage loans on real estate. At March 31, 1992 approximately 57% of its invested assets were in United States Government and government agency mortgage-backed obligations, 34% in corporate debt securities and preferred stocks with mandatory redemption features ("corporate fixed maturity securities"), and 6% in mortgage loans on real estate. The remainder of the invested assets was in short-term debt instruments, policy loans, equity securities and other invested assets.

The Company's investment policies require diversification of corporate fixed maturity securities by industry and limit the amount that can be invested in an individual issuer to reduce concentration risk. At March 31, 1992, excluding collaterlized mortgage obligations issued by non-government entities, the portfolio included securities issued by approximately 330 issuers with an average exposure of approximately $1,642,000 per issuer. Excluding collaterlized mortgage obligations issued by non-government entities, the Company's five largest investments in corporate fixed maturity investments of any one issuer at March 31, 1992 had an aggregate carrying value of approximately $55,825,000 and an estimated market value of $54,408,000. Included in these amounts are the securities of two issuers with an aggregate carrying value and market value at March 31, 1992 of approximately $41,094,000 (before accrued investment income of approximately $6,321,000), one of which is classified as investment grade. The investment grade issue (carrying value of $18,000,000 before accrued investment income of $2,857,000) was subsequently sold in May 1992 for its carrying value plus accrued interest and therefore no gain or loss was realized on its disposition.

At March 31, 1992 investment grade fixed-income securities accounted for 95% of the Company's fixed maturity securities portfolio and 87% of its total invested assets. The Company reduced its holdings of below-investment grade fixed maturity investments to approximately 4.5% and 5% of its invested assets at March 31, 1992 and December 31, 1991, respectively, down from 11% at December 31, 1990 and 15% at December 31, 1989. These reductions resulted from sales and write-downs of the carrying value of such securities, the substantial elimination of all new purchases of such securities since April 1990 and the overall increase in the Company's total invested assets that occurred since December 31, 1989. The Company currently plans to limit its investments in below-investment grade fixed maturity securities to approximately 5% of its total invested assets in 1992.

FINANCIAL CONDITION--Continued

Investments in below-investment grade fixed maturity securities generally have greater risks (and potentially greater returns) than other corporate fixed maturity investments. Risk of loss upon default by the borrower is significantly greater for these securities because they are generally unsecured and are often subordinated to other creditors of the issuer, and because these issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. Also, the market for below-invesment grade securities is less liquid and not as actively traded as the market for investment grade securities. Current market quotations are not always available for all of these securities and market quotes are generally available only from a limited number of dealers and may not represent firm bids of such dealers or prices for actual sales. During 1992 and 1991, market prices for below-investment grade corporate fixed maturity securities improved, primarily due to changing perceptions about the impact of the recession on issuers of below-investment grade securities, the general decline in interest rates and improved financial performance which allowed several issuers to refinance outstanding obligations at lower interest rates or reduce outstanding obligations with the proceeds from the issuance of new equity securities.

At March 31, 1992 the Company's below-investment grade fixed maturity investment portfolio included the securities of 66 different issuers. The carrying value and estimated market value of these investments at March 31, 1992 was $122,355,000 and $116,809,000, respectively.

The Company purchases fixed maturity investments with the intention of holding them to maturity and, as such, all fixed maturity investments are reported as held for investment. However, when market conditions, creditworthiness of the issuer or other measurement factors change, the Company may reevaluate the desirability of holding individual securities to maturity.

While the Company holds a fixed maturity investment, it does not realize any gain or loss in the event of a change in market value. The Company does realize gains and losses upon the disposition of its investments and realizes losses even while holding an investment when it determines that there has been an impairment of value of an investment that is other than temporary. At March 31, 1992 the fixed maturity portfolio contained gross unrealized gains of $63,899,000 and gross unrealized losses of $27,824,000.

The Company continually evaluates the creditworthiness of each issuer of securities held in its portfolio. When the market value of an individual security declines materially, or when the Company's ongoing evaluation indicates that it may be likely that the Company will be unable to realize the carrying value of its investment, significant review and analytical procedures are performed to determine the extent to which such declines are attributable to changing market expectations regarding general interest rates and inflation and other factors such as a perceived increase in the credit risk of the issuer, a general decrease in a particular industry sector or an overall economic decline.

FINANCIAL CONDITION--Continued

Declines in market value attributable to factors other than market expectations regarding general interest rates and inflation are reviewed and analyzed in further detail to determine if the decline in value is other than temporary. If evidence does not exist to support a realizable value equal to or greater than the carrying value of the investment, the decline in market value is considered to be other than temporary, and the carrying amount of the investment is reduced to its net realizable value based upon estimated nondiscounted cash flows. The amount of the reduction is reported as a realized loss on investments and the net realizable value becomes the new cost basis of the investment. In addition, the Company reverses any accrued interest income previously recorded for the investment, and records future interest income only when cash is received.

The Company's use of nondiscounted cash flows to evaluate net realizable value may result in lower realized losses in the current period than if the Company had elected to use discounting in its evaluation process. Also, yields recognized in future periods on such investments may be less than yields recognized on other investments and will be less than the yield expected when the fixed maturity security was originally purchased. The effect on net income from declines in interest income and portfolio yield from impaired securities in future periods will depend on may factors, including the level of interest rates credited to policyholder account balances. Inasmuch as interest rates credited to the Company's policyholders are typically only guaranteed for one year, after which they may be changed at the Company's option, the Company does not expect any material adverse effect on net income in future periods from declines in yields from impaired securities.

At March 31, 1992 the Company had identified nine issuers whose ability to comply with the contractual terms of their obligations was doubtful. Investments in these issuers had a total reported value of $11,090,000, after cumulative write-downs of $13,025,000 (to estimated net realizable value), and had an estimated market value of $8,405,000. All of these issuers were in default at March 31, 1992. In addition, the aggregate carrying value of fixed maturity securities at March 31, 1992 and December 31, 1991 was reduced by an allowance for credit losses of $3,000,000 to provide for losses existing in corporate fixed maturity investments which may occur in the future due to conditions unknown to the Company at those dates.

As noted above, the Company's policy is to discontinue the accrual of interest and eliminate all previous interest accruals from accrued investment income for all defaulted securities, including any securities for which the Company has yet to realize an impairment in value due to the Company's assessment that the carrying value of such investment will ultimately be realized in full. Approximately $915,000 and $1,140,000 of investment income was foregone during the first quarter of 1992 and 1991, respectively, due to nonaccruing securities.

FINANCIAL CONDITION--Continued

At March 31, 1992 the Company held investments in the securities of eleven issuers with an aggregate reported value of $16,990,000 and an estimated market value of $13,005,000 which were on nonaccrual status. If these securities remain on nonaccrual status, the income foregone on an annualized basis would be approximately $3,513,000.

At March 31, 1992 the Company had $1.8 billion, or 72% of its fixed maturities portfolio, in mortgage-related securities. The yield characteristics of mortgage-related securities differ from those of traditional fixed income securities. The major differences typically include more frequent interest and principal payments, usually monthly, and the possibility that prepayments of principal may be made at any time. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty. The yields to maturity of the mortgage-related securities will be affected by the actual rate of payment (including prepayments) of principal of the underlying mortgage loans.

In general, prepayments on the underlying mortgage loans, and subsequently the mortgage-related securities backed by these loans, increase when the level of prevailing interest rates declines significantly below the interest rates on such loans. When declines in interest rates occur, the proceeds from the prepayment of such securities are likely to be reinvested at lower rates than the Company was earning on such securities.

During 1990, the Company restructured approximately $270 million of its mortgage-backed security portfolio by selling pass-through certificates and reinvesting the proceeds in various components of collateralized mortgage obligations ("CMOs"), including interest only, principal only and zero coupon mortgage-backed securities. The purpose of this restructuring was to increase the overall yield from the investment portfolio. During 1992, 1991 and 1990, the Company further increased its holdings of CMOs and, at March 31, 1992, owned approximately $1.2 billion of such investments. While these securities may have greater sensitivity to changes in interest rates than pass-through securities, the Company believes it is adequately compensated for this increased risk and has the necessary resources and capabilities to manage the risk as part of its overall asset/liability matching.

Included in the Company's CMO holdings at March 31, 1992 was $122,091,000 of interest only strips of mortgage-backed securities. The repayment of these interest only securities is dependent upon the actual repayment experience of the underlying mortgage loans. The estimated average yield of the interest only securities at March 31, 1992 was 12.0%. The possibility exists that the underlying mortgage loans could be repaid prior to the Company recapturing its initial cost for the securities. Included in the interest only securities are securities with a carrying value of $70,029,000 and an estimated average yield of 15.5% at March 31, 1992 that pay interest at a rate that varies inversely with LIBOR. As interest rates decrease and prepayments on the underlying mortgage loans accelerate, the interest rates on the inverse variable interest only securities are expected to increase and may offset the decreases in yield on the other interest only securities.

FINANCIAL CONDITION--Continued

The Company's mortgage loans on real estate primarily consist of residential and small commercial mortgage loans on real estate located in the upper midwest (North Dakota, Iowa and Minnesota) and the southwest (New Mexico, Arizona and Texas). At March 31, 1992, the mortgage loan portfolio was diversified over approximately 950 properties with an average loan size of $162,000. Approximately 80% of the loans by count (45% by dollar) are on single family and multi-family residential properties with the remainder on a spectrum of commercial loans including retail, office, industrial, nursing home, restaurant and other properties.

Most of the Company's problem loans and losses on the foreclosure or sale of mortgaged properties have been attributable to its southwest loans. Problems with these loans first surfaced in the fourth quarter of 1988, several quarters after deterioration of the southwestern real estate markets had become apparent. The Company's recent experience indicates that these markets are showing signs of improvement and that the trend of the past three years, when it experienced aggregate losses on the foreclosure or sale of mortgaged properties of $7,103,000, is turning around.

At March 31, 1992 the Company had ten mortgage loans with a reported value of $1,724,000 that were more than 90 days past due as to principal and interest payments. Interest due on these mortgage loans was $83,000 at March 31, 1992, of which $8,000 was recognized in the consolidated financial statements.

The Company's allowance for loan losses was $1,000,000 at March 31, 1992 and December 31, 1991. Based upon the relatively low level of mortgage loans more than 90 days past due at March 31, 1992, the Company believes that this allowance provides an adequate reserve against losses on delinquent loans and losses existing in the Company's mortgage loan portfolio that may occur in the future due to conditions unknown to the Company at this time. The Company currently does not anticipate any material changes in its exposure to problem loans that could have a material effect on its financial position, results of operations, liquidity or capital resources.

When a mortgage loan is foreclosed, the real estate acquired is transferred from the mortgage loan portfolio to real estate acquired in satisfaction of debt at its market value on the date of foreclosure. An appraisal of the acquired property at the time of foreclosure is obtained to determine an approximate realizable value for the property. Real estate acquired through foreclosure with a reported value of $5,161,000 at March 31, 1992 is classified as other assets in the consolidated balance sheet and any income received on the properties is netted against related expenses.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity requirements for insurance operations are met by cash flow from life insurance and annuity premiums and deposits, investment income and investment maturities, including monthly principal payments on mortgage-backed securities and mortgage loans. The Company's life insurance business normally generates positive cash flow from operating activities and financing activities. Net funds available to the insurance subsidiaries are primarily invested in readily marketable fixed maturity securities.

Cash flow from operating activities principally results from the excess of investment income and premiums and policy fund charges collected over expenses which principally consist of interest credited to policyholders which is a non-cash expense. Cash flow from operating activities in the first quarter of 1992 was greater than the first quarter of 1991 primarily as a result of increased net income.

Offsetting this increase in cash flow from operating activities was a decline in cash flow from financing activities, primarily due to a decrease in net cash flow from interest-sensitive life insurance and annuity contracts. This decrease continued the trend of the two previous calendar years and resulted from a combination of lower premium collections and increased policy withdrawals and surrenders. The lower premium collections are directly attributable to the controlled growth strategy adopted by the Company in the second half of 1989. This strategy emphasized increasing the profitability of new annuity deposits by offering less competitive initial crediting rates than in previous periods resulting in a reduction in new deposits but a greater return on actual funds received and a strengthening of the insurance subsidiaries' statutory capital and surplus relative to the size of their assets. The increased policy withdrawals and surrenders corresponded to the aging and growth of the annuity and life insurance business in force. The Company anticipates that the additional capital provided to its primary life insurance subsidiary from the proceeds of the proposed offering of preferred stock by a wholly-owned subsidiary of the Company will enable the life insurance subsidiary to increase its premium deposits by growing its annuity business and thereby increase net cash flows from financing activities (see Note E of Notes to Consolidated Financial Statements).

The Company believes that the diversity of its investment portfolio and the liquidity attributable to the large concentration of investments in highly liquid United States government and government agency securities (more than 57% of total investments and more than 51% of total assets at March 31, 1992) provide sufficient liquidity to meet foreseable cash requirements. Because of the strong positive cash flows of the insurance subsidiaries including the sizable monthly cash flow from mortgage-backed security investments, the Company does not expect to be forced to sell fixed maturity investments prior to their maturities and realize material losses or gains as a result of such sales. However, if the Company experiences unusually high rates of cancellation or surrender of its policies it could be required to sell assets whose market value is less than carrying value and incur losses. At March 31, 1992, the market value of the Company's fixed maturity investments exceeded the carrying value by $36,075,000.

LIQUIDITY AND CAPITAL RESOURCES--Continued

The parent company's primary sources of liquidity are provided by its life insurance subsidiaries in the form of dividends, principal and interest payments on surplus notes, tax payments for utilization of parent company tax losses and reimbursements of shared expenses. Parent company liquidity is also provided from the issuance of equity and debt securities as apppropriate, including the issuance of shares of common stock to the Company's employee stock ownership plan from treasury or authorized but unissued shares. The parent company needs liquidity primarily to service its debt, pay dividends on its preferred stock and pay administrative and operating expenses. The parent company believes that, as in the past, it will be able to obtain sufficient funds to satisfy its obligations.

See Liquidity of Parent Company included in the Management's Discussion and Analysis section of the Company's Annual Report on Form 10-K for the year ended December 31, 1991 for additional discussion of limitations and restrictions on the transfer of funds by the insurance subsidiaries to the parent company.

During the first quarter of 1992 a subsidiary of the Company borrowed $2,600,000 under an existing $27,000,000 line of credit facility with a commercial bank. These funds were used to support new annuity sales by the Company's primary life insurance subsidiary. At March 31, 1992 approximately $8,435,000 remained available through July 1993 under this line of credit.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
(Note: The numbers preceding the exhibits correspond to the specific number within Item 601 of Regulation S-K).

(4) Instruments Defining the Rights of Security Holders, Including Indentures:

(a) The following define the rights of security holders:

(i) Article Fourth of the Certificate of Incorporation, as amended, filed with the Form 8 dated May 12, 1989 as an amendement to Form 10-K for the year ended December 31, 1988, is incorporated herein by this reference.

(ii) The By-laws, as amended, filed with the Form 10-Q for the quarter ended March 31, 1990, are incorporated herein by this reference.

(iii) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1976 Series Preferred Stock $1 Par, filed with the Form 8 dated May 12, 1989, as an amendment to the Form 10-K for the year ended December 31, 1988, is incorporated herein by this reference.

(iv) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1987 Series Preferred Stock $1 Par is attached hereto.

(v) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1987 Series II Preferred Stock $1 Par, filed as of October 15, 1987 with the Form 8-K dated October 14, 1987, is incorporated herein by this reference.

(vi) The Certificate of Registrant Setting Forth Resolution of the Board of Directors Establishing 1988 Series I Preferred Stock $1 Par, filed as of March 25, 1988 with the Form 8-K dated March 24, 1988, is incorporated herein by this reference.

(vii) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1988 Series II Preferred Stock $1 Par, filed as of March 25, 1988 with the Form 8-K dated March 24, 1988, is incorporated herein by this reference.

(b) The agreement to furnish to the Commission a copy of the loan agreements with the Registrant's lenders is attached hereto.

(11) Statement Re Computation of Per Share Earnings:
This statement is included as Note 8 in Part I hereof and is incorporated herein by this reference.

(b) Reports on Form 8-K
There are no reports on Form 8-K during the quarter covered by this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE STATESMAN GROUP, INC.

Date May 14, 1992

By

J.M. Matovina
Vice President, Treasurer and
Secretary

EXHIBIT INDEX

Exhibit	Description	Page
(4) (a) (i)	Article Fourth of the Certificate of Incorporation, as amended	*
(ii)	The By-laws, as amended	*
(iii)	The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1976 Series Preferred Stock $1 Par	*
(iv)	The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1987 Series Preferred Stock $1 Par	25
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(11)	Statement Re Computation of Per Share Earnings	7

* Incorporated by reference

State of Delaware

Office of Secretary of State

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF THE STATESMAN GROUP, INC. FILED IN THIS OFFICE ON THE THIRTIETH DAY OF JANUARY, A.D. 1987, AT 9 O'CLOCK A.M.

! ! ! ! ! ! ! ! ! ! ! !

Michael Harkins

Michael Harkins, Secretary of State

AUTHENTICATION: 11156768

DATE: 03/07/1987

870300164

JAN 30 1987

SECRETARY OF STATE

CERTIFICATE
OF
THE STATESMAN GROUP, INC.
SETTING FORTH RESOLUTION
OF
BOARD OF DIRECTORS
ESTABLISHING
1987 SERIES PREFERRED STOCK $1 PAR

Pursuant to Section 151 of the
Delaware General Corporation Law

THE STATESMAN GROUP, INC. (hereinafter called "Corporation"), a Corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, **DOES HEREBY CERTIFY**:

That the Board of Directors of said Corporation, at a meeting duly held on the 12th day of January, 1987, adopted the following resolution:

> **RESOLVED**, Pursuant to the authority vested in the Board of Directors as set forth in paragraph 4 of Article FOURTH of the Amended Articles of Incorporation of The Statesman Group, Inc., that with respect to the 40,000 shares of Series Preferred Stock $1 Par to be issued in accordance with the previous action of this Board, said Board of Directors does hereby fix and state the designations, voting powers, preferences and relative participating, optional or other special rights, and the qualifications, limitations, and restrictions thereof, of such series of Series Preferred Stock $1 Par to be issued as follows:
>
> (a) Designation. The series shall be designated as "1987 Series Preferred Stock $1 Par" and shall consist of 40,000 shares of Series Preferred Stock $1 Par.
>
> (b) Dividend Rights. The annual dividend rate shall be a cumulative cash dividend of 75 cents per share, payable annually with the first annual dividend payment to be made March 15, 1987, and March 15 each year thereafter. The dividend shall rank prior to payment of dividends on the Common Stock of The Statesman Group, Inc. No dividends shall be declared or paid on Common Stock of The Statesman Group, Inc. (other than stock dividends payable in shares of Common Stock) unless full cumulative dividends have been paid or declared and set aside for

payment in full from the date on which any of such 1987 Series Preferred Stock $1 Par shares is issued to the end of the then current dividend period.

(c) Optional Redemption. The Statesman Group, Inc. may, at its option, redeem the 1987 Series Preferred Stock $1 Par, in whole, from date of issue at the redemption as follows in each case plus full cumulative dividends to the applicable date of redemption:

From January 12, 1987 to January 12, 1988	The greater of (1) $460,000, or (2) market value of Corporation's Common Stock determined on an if converted basis based upon the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.
From January 12, 1988 to January 12, 1989	The greater of (1) $440,000, or (2) market value of Corporation's Common Stock determined on an if converted basis based upon the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.
From January 12, 1989 to January 12, 1990	The greater of (1) $420,000, or (2) market value of Corporation's Common Stock determined on an if converted basis based upon the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.
From January 15, 1990 and thereafter	The greater of $400,000 or market value of Corporation's Common Stock determined on an if converted basis based on the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.

Notice of redemption shall be given by the Corporation by mailing a notice thereof to each holder of record of shares to be redeemed at the last address of such holder, as the same appears on the books of the Corporation, such notice to be mailed at least thirty (30) days prior to the date designated for redemption. In the event that the Corporation shall have given notice of redemption as aforesaid, and on or before such redemption date shall have deposited with a paying agent, or otherwise set aside at the place designated in such notice, funds sufficient to pay the redemption price of the shares so called for redemption, all shares of stock to be redeemed, as set forth in said notice, shall be deemed to have been redeemed on the date when the funds are so deposited or set aside, whether or not the certificate for such shares shall have been surrendered for redemption; and said shares of stock called for redemption shall, from and after such date, cease to represent any interest whatever in the Corporation or its property; and the holders thereof shall have no rights other than the right to receive the redemption price as above set forth. In the event that any shares so called for redemption shall not have been duly surrendered for redemption within six months next succeeding the redemption date specified in the notice calling such shares for redemption, the funds deposited with any paying agent or set aside for the redemption of such shares may again be used by the Corporation for its corporate purposes, and the holders of the shares so called for redemption but unsurrendered during such six months shall thereafter have only the rights of general creditors against the Corporation for the redemption price of such shares, but without interest.

(d) Liquidation Rights. In the event of any complete, or substantially complete, voluntary or involuntary, liquidation, dissolution or winding up of the Corporation, before any distribution or payment shall be made to the holders of Common Stock, the holders of 1987 Series Preferred Stock $1 Par, at the time outstanding, shall be entitled to receive, out of the assets of the Corporation available for distribution to its shareholders, whether from capital or from earnings, the sum of $400,000. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger of any corporation into the Corporation, nor the sale or transfer by the Corporation of all or any part of its assets shall be deemed a liquidation, dissolution or winding up of the Corporation for the purposes of this sub-paragraph (d).

(e) Voting Rights. Each share of 1987 Series Preferred Stock $1 Par shall be entitled to one vote on each matter submitted to a vote at any meeting of the holders of shares of stock.

(f) Conversion Rights. The holder of any 1987 Series Preferred Stock $1 Par shall have the right, at his option, at any time after three years from the date of issuance (except that, with respect to any such stock which shall be called for redemption, such right shall terminate at the close of business on the fifteenth (15) day prior to the date fixed for redemption of said stock unless the Corporation shall default in the payment due upon redemption thereof) to convert said stock on the basis of one share of 1987 Series Preferred Stock $1 Par into one fully-paid and non-assessable share of Common Stock of the Corporation at an exchange ratio equal to one share of Common Stock valued at $8.694 for each share of 1987 Series Preferred Stock $1 Par valued at $10.00 per share.

(g) Anti-Dilution. If the Corporation shall by subdivision, consolidation or reclassification of shares, or otherwise, change as a whole the outstanding shares of its Common Stock into a different number or class of shares, the conversion price and number of shares issuable upon conversion of the 1987 Series Preferred Stock $1 Par shall be correspondingly adjusted. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of any 1987 Series Preferred Stock $1 Par. If the conversion of any 1987 Series Preferred Stock $1 Par would result in a final fraction, an amount equal to such fraction multiplied by the fair market value of a share of the Common Stock of the Corporation on the day of conversion shall be paid to such holder in cash by the Corporation. The same anti-dilution provision shall apply with respect to any stock dividends paid by the Corporation with the appropriate adjustments being made to protect the anti-dilution rights of the owners of any shares of 1987 Series Preferred Stock $1 Par. If, while any shares of the 1987 Series Preferred Stock $1 Par are outstanding, the Corporation shall consolidate with or merge into another corporation, the holders of the 1987 Series Preferred Stock $1 Par then outstanding will thereafter receive, upon conversion thereof, the securities or property to which a holder of the number of shares than deliverable upon conversion thereof would have been entitled upon such consolidation or merger. A sale of all or substantially all the assets of the Corporation for a consideration (apart from the assumption of obligations) consisting primarily of securities shall be deemed a consolidation or merger for the foregoing purposes. No adjustment of the conversion price shall be made as a result of or in connection with the issuance of shares of Common Stock of the Corporation pursuant to options or stock purchase agreement granted or entered into with officers or employees of the Corporation or a subsidiary of the Corporation in connection with their employment, whether entered into at the beginning of the employment or at any time thereafter.

(h) No Pre-emptive Rights. No holder of any 1987 Series Preferred Stock $1 Par of the Corporation shall be entitled as of right to purchase or subscribe for or otherwise acquire any shares of stock of any class, whether now or hereafter authorized by the Corporation.

(i) Reservation of Shares for Conversion. The Corporation shall, at all times, reserve and keep available out of its authorized but unissued common shares the full number of common shares into which all shares of 1987 Series Preferred Stock $1 Par from time to time outstanding are convertible.

IN WITNESS WHEREOF, said THE STATESMAN GROUP, INC. has caused its corporate seal to be hereunto affixed and this Certificate to be signed by its President and Secretary this 12th day of January, 1987.

THE STATESMAN GROUP, INC.

By ______________________
D. J. Noble,
Its President

John M. Matson
Its V.P. & Treasurer

EXHIBIT 4 (b)

May 14, 1992

Securities and Exchange Commission
Washington, D.C. 20549

Re: The Statesman Group, Inc. - File No. 0-1283

Gentlemen:

The Statesman Group, Inc. hereby agrees that, with repect to long-term debt not registered under the Exchange Act where the total amount of securities authorized thereunder does not exceed 10 percent of its total assets on a consolidated basis, it will furnish to the Securities and Exchange Commission ("Commission") a copy of the Agreement governing such long-term debt upon the request of the Commission.

Very truly yours,

THE STATESMAN GROUP, INC.

J.M. Matovina
Vice President, Treasurer & Secretary

JMM/nml

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 OR 15 (d)
of the Securities Exchange Act of 1934

For the Quarter Ended MARCH 31, 1992 Commission File No. 1-4436

U92-2232

THE STEPHAN CO.
(Exact Name of Registrant as Specified in its Charter)

Florida	59-0676812
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1850 W. McNab Road, Ft. Lauderdale, Florida	33309
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, including Area Code: (305) 971-0600

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.
YES X NO ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 and 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
YES ____ NO ____

(APPLICABLE ONLY TO CORPORATE ISSUERS)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common Shares outstanding as of March 31, 1992:

1,964,527

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THE STEPHAN CO. AND SUBSIDIARIES
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
MARCH 31, 1992

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THE STEPHAN CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 1992	December 31, 1991
ASSETS		
CURRENT ASSETS		
Cash	$2,714,381	$2,649,287
Accounts Receivable, Net	1,483,525	1,406,270
Inventory	1,465,502	885,260
Prepaid Expenses	25,063	18,593
TOTAL CURRENT ASSETS	5,688,471	4,959,410
PROPERTY AND EQUIPMENT, Net	1,000,180	974,036
OTHER ASSETS	855,415	18,254
TOTAL ASSETS	$7,544,066	$5,951,700
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 188,762	$ 90,195
Accounts payable and accrued expenses	1,045,203	912,469
Income taxes payable	301,307	523,768
TOTAL CURRENT LIABILITIES	1,535,272	1,526,432
LONG-TERM DEBT	1,248,605	852,020
TOTAL LIABILITIES	2,783,877	2,378,452
STOCKHOLDERS' EQUITY		
Common stock	19,645	12,337
Additional paid in capital	1,682,504	1,006,990
Retained earnings	3,058,040	2,553,921
TOTAL STOCKHOLDERS' EQUITY	4,760,189	3,573,248
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$7,544,066	$5,951,700

See Notes to Consolidated Financial Statements.

(Unaudited)

THE STEPHAN CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	1992	1991
SALES	$3,522,458	$2,133,026
Less: Cost of Goods Sold	1,644,755	1,084,756
Gross Profit	1,877,703	1,048,270
Other Expenses		
Selling, general and administrative expense	1,105,355	597,110
Interest	29,342	23,415
Total Other Expenses	1,134,697	620,525
INCOME FROM OPERATIONS	743,006	427,745
OTHER INCOME		
Interest	16,158	14,692
Rental and other	4,654	4,022
INCOME BEFORE INCOME TAXES	763,818	446,459
FEDERAL INCOME TAXES	259,698	151,796
NET INCOME	$ 504,120	$ 294,663
EARNINGS PER COMMON SHARE	$ .23	$ .14
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	2,147,380	2,147,380

See Notes to Consolidated Financial Statements.

(Unaudited)

THE STEPHAN CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
CASH PROVIDED/(USED) BY OPERATIONS:		
Net Income	$ 504,120	$ 294,663
Income charges (credits) not effecting cash:		
Depreciation	10,897	8,290
Amortization	14,068	-0-
Changes in certain working capital components:		
Change in accounts receivable	(77,255)	(257,253)
Change in inventory	(580,242)	11,784
Change in prepaid expenses	(6,470)	1,500
Change in accounts payable and accrued expenses	132,734	(30,284)
Change in income taxes payable	(222,461)	51,454
CASH PROVIDED/(USED) BY OPERATIONS	(224,609)	80,154
CASH PROVIDED/(USED) BY INVESTING ACTIVITIES:		
Purchase of property & equipment	(37,042)	(745)
Changes in other assets	(851,229)	-0-
CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	(888,271)	(745)
CASH PROVIDED/(USED) BY FINANCING ACTIVITIES:		
Change in long-term debt, net of current portion	495,152	(18,870)
Increase from issuance of stock	600,000	-0-
Proceeds from exercise of options	82,822	-0-
CASH PROVIDED/(USED) FROM FINANCING ACTIVITIES	1,177,974	(18,870)
NET INCREASE/(DECREASE) IN CASH	65,094	60,539
CASH BEGINNING OF PERIOD	2,649,287	1,354,797
CASH END OF PERIOD	$ 2,714,381	$ 1,415,336

See Notes to Consolidated Financial Statements.

(Unaudited)

THE STEPHAN CO. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
QUARTERS ENDED MARCH 31, 1992 AND 1991

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: In the opinion of management, all adjustments necessary for a fair presentation are reflected in the interim financial statements.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of The Stephan Company, and its wholly-owned subsidiaries, Foxy Products, Inc., Old 97 Company and Williamsport Barber and Beauty Corp. All inter-company balances and transactions have been eliminated in consolidation.

INVENTORIES: Inventories of finished goods and work in process are stated at the lower of standard cost (approximate actual cost on the first-in, first-out basis) or market. Inventories of raw materials, containers and packaging materials are stated at the lower of cost (first-in, first-out basis) or market.

	March 31, 1992	December 31, 1991
Inventories:		
Raw Materials	278,624	377,812
Finished Goods	746,774	224,414
Packaging Materials	440,104	283,034
Total Inventories	$1,465,502	$ 885,260

PROPERTY AND EQUIPMENT: Property and equipment are recorded at cost. Depreciation is provided, principally on a straight-line basis, over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred and major renewal or replacements are capitalized.

RESEARCH AND DEVELOPMENT COSTS: Costs for research and development activities are expensed as incurred, and were not significant in any of the periods currently being reported.

INCOME TAXES: The provision for income taxes is based upon book income, after giving consideration to state income taxes. No investment tax credits have been available or used, there are no material deferred income taxes, and all unused net operating losses have expired.

THE STEPHAN CO. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
QUARTERS ENDED MARCH 31, 1992 AND 1991

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

EARNINGS PER SHARE: Earnings per share are based on the weighted average number of shares outstanding, after giving consideration to a three for two stock split, by way of stock dividend, effective in March, 1992. The weighted average number of shares outstanding was 2,147,380. Earnings per share for the quarter ended March 31, 1991 has been restated to give retroactive effect to the above stock split.

NOTE 2: CAPITAL STOCK

At March 31, 1992, 5,000,000 shares of $.01 par value common stock and 1,000,000 shares of $.01 par value preferred stock were authorized for issuance. Common shares issued and outstanding were 1,964,527 and no preferred shares have been issued.

NOTE 3: LONG-TERM DEBT

At March 31, 1992, long term debt consisted of the following:

10% mortgage payable in installments of $4,824, principal and interest through December, 1997. (a)	$ 252,324
8.86% mortgage payable in installments of $5,888, principal and interest through December, 2008. (a)	553,156
4% note payable in installments of $2,436, principal and interest through July, 1990. (b)	116,380
7.7% note payable in installments of $5,403, principal and interest through January, 1999. (c)	340,507
10% note payable, minimum payment of $60,000 per year, plus interest. (d)	175,000
	1,437,367
Less current portion	188,762
LONG-TERM DEBT	$ 1,248,605

NOTE 3: LONG-TERM DEBT (con't)

(a) Secured by land and buildings.

(b) Debt related to purchase of Old 97 Company.

(c) Debt related to purchase of Williamsport Barber and Beauty Corp.

(d) Debt related to acquisition of MASSIMO FAUST line from Dow Brands.

At March 31, 1992 aggregate annual maturities of long-term debt during the next five years approximate $180,000 for 1993, $205,000 for 1994, $215,000 for 1995, $155,000 for 1996 and $160,000 for 1997.

NOTE 4: COMMITMENTS AND CONTINGENCIES

The 10% mortgage payable has an acceleration clause calling for payment of the note six months after Frank F. Ferola (President and Chairman of the Board) ceases to be a stockholder and/or a director.

Pursuant to the terms of the acquisition of the Williamsport operations, the former owner of Williamsport Barber Supply entered into a two-year employment contract, the terms of which provide for a bonus, in addition to regular compensation, equal to 3% of the net income of the acquired entity, as defined by the contract. Included in other assets are amounts attributable to a non-compete agreement ($263,542, net of amortization) and goodwill acquired ($498,390, net of amortization).

In connection with the acquisition of the MASSIMO FAUST line, the terms of the agreement call for a royalty of 3% of product sales for 5 calendar years commencing January 1, 1993, with minimum annual payments of $15,000 per year. Included in other assets is $75,000 representing acquired patents, formulas and trademarks.

The President, Chairman of the Board and major stockholder of the Company is Frank F. Ferola and his employment contract gives him the right to purchase Old 97 Company at a price approved by the Board of Directors in the event of a change in the majority ownership of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

The Company continues to show strong growth in both sales and profits through the first quarter of 1992. Sales for the three months ended March 31, 1992 were $3,522,459, which represents a 65% increase over the comparable three month period for 1991. The increase of approximately $1,390,000 indicates a very strong trend for 1992. Net income for the period increased 71% from $294,663 for the three months ended March 31, 1991 to $504,120 for the current three month period. Earnings per share for the period ended March 31, 1992 was $.23, compared to $.14 for the previous year (retroactively adjusted for a three-for-two stock split in March, 1992).

Management can attribute several reasons for the continued growth in sales and earnings. In addition to the steady increase in the distribution and sales base of the **STEPHAN** brand name, and the increase in private label business, the Company consummated two acquisitions in the first quarter of 1992.

In January, 1992, the Company acquired the assets of Williamsport Barber Supply. Located in Williamsport, Pa., the company engages in the wholesale distribution of various hair care products to over thirteen states through a mail order catalog distributed semiannually. Overall, the contribution to sales and profits by this new subsidiary has been on target and management believes this acquisition will serve as a significant foundation in increasing the overall distribution channels for the **STEPHAN** line, as well as expanding the mail order business.

Also in the first quarter (February, 1992), the **MASSIMO FAUST** product line was acquired from Dow Brands. The **FAUST** hair care line consists of products such as shampoos, conditioners and gels, and are all distributed on a national retail level. The acquisition included finished goods inventory, work in process and remaining components, raw materials, trademarks and formulas. While the acquisition was made late in the first quarter and therefore did not have a significant impact on sales and profits, management has been able to establish a smooth transition in both production capabilities as well as building a rapport with the existing distributors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (con't).

As has been the case in the past, aggressive purchasing policies have kept raw material and packaging cost increases to a minimum, and cost containment in the general and administrative expense area have both resulted in increased net profits.

LIQUIDITY & CAPITAL RESOURCES

As of March 31, 1992, the Company had over $2,700,000 in cash. Total current assets were $5,688,471 at March 31, 1992, compared to $4,959,410 at the beginning of the year. Working capital was over $4,150,000, an increase of over $700,000 since December 31, 1991. This extremely strong showing, even after a significant outflow of cash in the first quarter of 1992 for both acquisitions and payment of income taxes serves to justify the Company's credit, collection, sales and cash management policies in these very tough economic times

The Company's significant cash position allows aggressive purchasing, which helps keep costs lower, and also allows the Company to take advantage of acquisition opportunities as they arise. Over the last two and one-half years, the market has responded very favorably to the Company, and the price of the stock has risen dramatically. This also allows greater flexibility to the Company when it considers products and/or compatible companies to acquire. Management has always felt that profits should be put back into the Company for expansion purposes, thus cash has increased significantly over the last two years. In trying to balance the need for cash with the desire to give the stockholders a tangible return on their investment, the Company, within the past 15 months, has authorized three separate three-for-two stock dividends.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto, duly authorized.

THE STEPHAN COMPANY

Frank F. Perola
President and Chairman of the Board
May 14, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

92-2232

For Quarterly Period Ended June 30, 1991

Commission File No. 0-6106

UNITED LEISURE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	13-2652243
(State or Other Jurisdiction of Incorporation or Organization)	IRS Employer Identification

8800 Irvine Center Drive, Irvine, California 92718
(Address of Principal Executive Offices)
(Zip Code)

(714) 837-1200
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or Section 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such Reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ✓ No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the least practicable date.

Class	Outstanding at April 22, 1992
Common Stock, par value $.01 per chare	2,665,748

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UNITED LEISURE CORPORATION AND SUBSIDIARIES

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Consolidated Balance Sheet
June 30, 1991 and December 31, 1990

Consolidated Statement of Operations
For the three months and six months ended
June 30, 1991 and June 30, 1990

Consolidated Statement of Cash Flows
June 30, 1991 and June 30, 1990

Management's Discussion and Analysis of Financial Condition and Results of Operations

PART I - FINANCIAL INFORMATION

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet
ASSETS

	June 30, 1991	Dec. 31, 1990
CASH	$ 688,986	$ 158,776
RECEIVABLES	116,212	78,058
PREPAID EXPENSES	32,181	4,005
INVESTMENT in limited partnership at cost	175,000	175,000
PROPERTY AND EQUIPMENT, less accumulated depreciation	159,669	239,742
OTHER ASSETS		
Repurchase of income stream, less accumulated deprecation	169,511	184,251
Loan costs, less accumulated deprecation	12,004	19,007
Restricted cash	407,055	407,055
Other	1,965	1,965
	$1,762,583	$ 1,267,859

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

	June 30, 1991	Dec. 31, 1990
LIABILITIES		
Notes payable	$ 330,168	$ 330,168
Accounts payable and accrued expenses	901,528	775,483
Due to Lessor (Note 2)	1,170,474	1,135,562
Due to related party	1,793,402	1,742,260
Deferred revenues	609,851	24,330
Deposits and other	124,275	124,275
	4,929,698	$ 4,132,078
STOCKHOLDERS' DEFICIENCY		
Preferred stock	1,600,000	1,600,000
Common stock	26,657	26,657
Capital in excess of par value	6,786,992	6,786,992
Accumulated deficit	(11,580,764)	(11,277,868)
TOTAL STOCKHOLDERS' DEFICIENCY	(3,167,115)	(2,864,219)
	$1,762,583	$ 1,267,859

See accompanying Notes to Consolidated Financial Statements

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Operations

	For the three months ended June 30,		For the six months ended June 30,	
	1991	1990	1991	1990
REVENUES				
Sublease arrangements	$ 277,357	$ 345,983	$ 474,976	$ 514,992
Camp admissions	57,278	53,583	57,278	53,583
Other	30,531	10,709	58,338	30,350
Total revenues	$ 365,166	$ 410,275	$ 590,592	$ 598,925
COSTS AND EXPENSES				
Occupancy	332,758	314,959	565,148	532,606
Selling	4,752	1,083	6,291	4,674
General & adm.	107,141	71,417	141,307	122,366
Interest	33,984	42,841	66,599	81,311
Depreciation	45,000	45,000	90,000	90,000
Amortization	10,871	10,871	21,743	21,743
Total costs & expenses	534,506	486,171	891,088	852,700
NET INCOME (LOSS) BEFORE TAXES	(169,340)	(75,896)	(300,496)	(253,775)
PROVISION FOR INCOME TAXES	2,400	3,000	2,400	3,000
NET INCOME (LOSS)	$(171,740)	$(78,896)	$(302,896)	$(256,775)
NET INCOME (LOSS) PER SHARE	$ (.06)	$(.03)	$(.11)	$(.10)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	2,665,748	2,665,748	2,665,748	2,665,748

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows

	For the six months ended June 30,	
	1991	1990
CASH FLOWS FROM OPERATION		
Cash received under sublease arrangements	$ 1,061,753	$ 932,324
Cash paid to lessor, suppliers and employees	(512,060)	(611,882)
Interest paid	(9,556)	(9,418)
Income taxes paid		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 540,137	$ 311,024
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property & equipment	(9,927)	
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	9,927	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party		55,000
Principal payments under short and long term debts		(174,809)
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES		119,809
NET INCREASE (DECREASE) IN CASH	530,210	191,215
CASH BEGINNING OF PERIOD	158,776	5,205
CASH AT END OF PERIOD	$ 688,986	$ 196,420

See accompanying Notes to Consolidated Financial Statements

UNITED LEISURE CORPORATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows - continued

	For the six months ended June 30, 1991	1990
RECONCILIATION OF NET LOSS TO NET CASH - USED BY OPERATING ACTIVITIES		
Net income (loss)	$ (302,896)	$ (256,775)
Adjustment to reconcile net loss to net cash used by operating activities		
Depreciation	90,000	90,000
Amortization of intangibles	21,743	21,744
Increase (decrease) in deferred revenues	585,521	417,802
Decrease (increase) in receivable	(38,154)	29,403
Decrease (increase) in prepaid expenses	(28,176)	(56,561)
Decrease (increase in other assets		
Increase (decrease) in accounts payable and accrued expenses	126,045	159,988
Increase (decrease) due to lessor	34,912	(206,506)
Increase due to related party	51,142	111,929
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 540,137	$ 311,024

See accompanying Notes to Consolidated Financial Statements

UNITED LEISURE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The results of interim periods are not necessarily indicative of results to be expected for the year, due to the seasonal nature of the Company's business. In the opinion of the Company, the accompanying consolidated financial statements reflect all adjustments (which are normal recurring adjustments) necessary for a fair presentation of the results for the interim period and the comparable period presented. These condensed financial statements do not purport to be full presentations and do not include all requirements in accordance with generally accepted accounting principles, but include all information required by the instructions to Form 10-Q.

Note 2. Due to Lessor

This matter is in dispute with the landlord, The Irvine Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenues for the second quarter were approximately 12 % less than the equivalent quarter of 1990. The decrease is largely attributable to the low rentals of one of the Company's tenants during this period.

The expenses of the Company increased approximately $50,000 primarily as a result of increased legal fees.

The Company continues to devote much of its time and resources to pursuing its lawsuit against its landlord, The Irvine Company. The trial originally set for September 25th, 1991 has been continued. The Company is moving to dismiss the Bankruptcy filing.

PART II - OTHER INFORMATION

No items of Part II are applicable to the Registrant for the period covered by this Quarterly Report on Form 10-Q.

Item 5. Exhibits and Reports of Form 8-k

a) Exhibits

None

b) Reports on Form 8-K

The Company did not file a Current Report on Form 8-K with the Securities and Exchange Commission during the period covered by this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED LEISURE CORPORATION

Date: 4 27 92 By: Harry

Harry Shuster, Chairman of the Board and Chief Executive Officer

Date: 4 27 92 By: Renate Graf

Renate Graf, Vice President and Controller

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

WG2-2232

For the quarterly period ended March 31, 1992

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-3685

The W. W. Williams Company
(Exact name of registrant as specified in its charter)

Ohio (State or other Jurisdiction of Incorporation or Organization)	31-4343230 (I.R.S. Employer Identification No.)
835 West Goodale Boulevard Columbus, Ohio (Address of Principal Executive Offices)	43212 (Zip Code)

(614) 228-5000
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______.

As of March 31, 1992, there were 900,212 shares of $1.00 par value common stock outstanding.

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THE W. W. WILLIAMS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

Assets	MARCH 31 1992	DECEMBER 31 1991
CURRENT ASSETS:		
Cash	$ 2,105,000	$ 2,607,000
Notes and accounts receivable - trade (less allowance for doubtful accounts of $200,000)	7,186,000	8,006,000
Warranty claims and other receivables	1,578,000	2,290,000
Inventories:		
New product	972,000	1,252,000
Parts and other	9,393,000	9,680,000
Total inventories	10,365,000	10,932,000
Prepaid insurance and other	284,000	180,000
Deferred income taxes	887,000	887,000
Total current assets	22,405,000	24,902,000
PROPERTY AND EQUIPMENT - at cost:		
Land	3,095,000	3,095,000
Buildings and improvements	17,477,000	17,360,000
Equipment	11,138,000	10,661,000
Total	31,710,000	31,116,000
Less accumulated depreciation	12,932,000	12,543,000
Property and equipment - net	18,778,000	18,573,000
OTHER ASSETS:		
Undisbursed industrial revenue bond proceeds	651,000	647,000
Investments - land and securities	630,000	629,000
Net assets of discontinued operations	5,307,000	5,870,000
Intangibles	1,653,000	1,703,000
Total other assets	8,241,000	8,849,000
TOTAL	$49,424,000	$52,324,000

Liabilities and Stockholders' Equity

	MARCH 31 1992	DECEMBER 31 1991
CURRENT LIABILITIES:		
Notes payable - banks	$ 9,900,000	$10,250,000
Current portion of long-term debt	1,200,000	1,135,000
Accounts payable - trade	2,724,000	4,276,000
Accrued liabilities	3,732,000	4,420,000
Income taxes payable	406,000	703,000
Total current liabilities	17,962,000	20,784,000
LONG-TERM DEBT - Less current portion	9,180,000	9,216,000
OTHER LONG-TERM LIABILITIES	243,000	241,000
DEFERRED INCOME TAXES	2,384,000	2,323,000
STOCKHOLDERS' EQUITY:		
Common stock - $1 par value; authorized, 2,000,000 shares; issued, 1992 - 1,100,576 shares, 1991 - 1,099,744 shares; outstanding, 1992 - 900,212 shares, 1991 - 916,767 shares	900,000	917,000
Additional paid-in capital	2,863,000	3,072,000
Retained earnings	15,892,000	15,771,000
Total stockholders' equity	19,655,000	19,760,000
TOTAL	$49,424,000	$52,324,000

See Notes to Financial Statements.

THE W. W. WILLIAMS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	THREE MONTHS ENDED	
	MARCH 31 1992	MARCH 30 1991
Net revenue	$18,964,000	$20,453,000
Cost of revenue	13,199,000	14,354,000
Gross margin	5,765,000	6,099,000
Selling, general and administrative expenses	(5,111,000)	(5,161,000)
Income from operations	654,000	938,000
Interest expense	(276,000)	(360,000)
Investment income and other	82,000	125,000
Income before income taxes	460,000	703,000
Income tax provision	184,000	274,000
Net income	$ 276,000	$ 429,000
Net income per common share (based on the weighted average number of common and common equivalent shares outstanding 1992-917,334; 1991-965,985)	$0.30	$0.44
Dividends per common share	$0.17	$0.17

See Notes to Financial Statements.

THE W. W. WILLIAMS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	THREE MONTHS ENDED	
	MARCH 31 1992	MARCH 30 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from continuing operations	$ 276,000	$ 429,000
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Depreciation and amortization	490,000	438,000
Deferred income taxes and other	142,000	10,000
Gain on sale of assets	1,000	(44,000)
Decrease (Increase) in:		
Receivables	1,532,000	(833,000)
Inventories	567,000	(419,000)
Prepaid and other assets	(110,000)	134,000
Increase (decrease) in:		
Accounts payable - trade	(1,453,000)	(177,000)
Accrued and other liabilities	(746,000)	265,000
Net cash provided (used) by continuing operations	699,000	(197,000)
Net cash provided by discontinued operations	357,000	164,000
Net cash provided (used) by operating activities	1,056,000	(33,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions of continuing operations	(641,000)	(573,000)
Property and equipment additions of discontinued operations	(40,000)	(54,000)
Proceeds from sale of property of continuing operations	37,000	151,000
Proceeds from sale of assets of discontinued operations	500,000	1,023,000
Undisbursed bond proceeds draws		154,000
Net cash provided (used) in investing activities	(144,000)	701,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	388,000	4,000
Proceeds from notes payable - banks	10,700,000	11,600,000
Payments of long-term debt	(1,072,000)	(1,106,000)
Payments of notes payable - banks	(11,050,000)	(11,100,000)
Cash dividends paid	(154,000)	(160,000)
Acquisition of treasury stock	(235,000)	(35,000)
Proceeds from exercise of stock option	9,000	
Net cash provided (used) by financing activities	(1,414,000)	(797,000)
NET INCREASE (DECREASE) IN CASH	(502,000)	(129,000)
CASH AT BEGINNING OF PERIOD	2,607,000	2,284,000
CASH AT END OF PERIOD	$ 2,105,000	$2,155,000
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	$ 372,000	$ 513,000
Income taxes paid	420,000	218,000

See Notes to Financial Statements.

THE W. W. WILLIAMS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements include the accounts of The W. W. Williams Company and its wholly-owned subsidiaries:
   Atlantic Central Insurance, Ltd.; Tri-W Rental, Inc.;
   Williams Detroit Diesel-Allison Midwest, Inc.;
   Williams Detroit Diesel-Allison Southeast, Inc.;
   Williams Detroit Diesel-Allison Southwest, Inc.; and
   Williams Technologies, Inc.

2. The consolidated balance sheets as of March 31, 1992, the consolidated statements of income and the consolidated statements of cash flows for the periods ended March 31, 1992, and March 30, 1991, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and changes in cash flows at March 31, 1992, and for all periods presented have been made.

3. The allowance to reduce FIFO inventories to LIFO value amounted to $2,399,000 and $2,354,000 at March 31, 1992, and December 31, 1991, respectively.

4. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 1991, annual report to shareholders. The results of operations for the period ended March 31, 1992, are not necessarily indicative of the operating results for the full year.

5. During the fourth quarter of 1991, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes," effective January 1, 1990. The Statement modifies the use of the liability method of accounting for income taxes as required by SFAS No. 96. Its implementation had no effect on the consolidated statement of income for 1991 from amounts previously reported.

6. In December 1990, Financial Accounting Standard No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" was issued. This Statement requires that the cost of providing health care benefits for retired employees be accrued over the service period of the employees. The Company will be required to adopt this statement in 1993. The Company has not determined the effect this statement will have on the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's net revenue declined 7% in the first quarter of 1992 compared to the same period in 1991. The majority of the decline is the result of lower production rates on one contract at the Company's transmission remanufacturing facility. The decreases are partially related to reduced new car sales by General Motors. The current production level is forecasted to continue in the short term, but will be partially offset by production rate increases on other contracts. Also, the remanufacturing facility began producing a transmission for a new customer in the second quarter as well as another model for an existing customer. The remainder of the net revenue decrease is attributable to the recession and its effect on the trucking industry.

Gross profit dollars decreased by 5% from the first quarter of 1991. The decrease, resulting from lower sales, was offset by a more favorable sales mix. Overall, gross profit as a percent of sales increased.

Selling, general and administrative dollars have slightly decreased. However, selling, general and administrative expenses as a percent of sales have increased by 2%. Generally, expenses have not decreased at the same rate as sales. Efforts to increase the sales volume of the Las Vegas facility, acquired April 1, 1992, has resulted in higher than usual operating expenses in relation to sales at that location. Also, the remanufacturing operation's indirect costs have not decreased with sales. Steps are being taken in the second quarter to decrease indirect costs at this facility.

Interest expense decreased for the first quarter of 1992 as a result of decreased outstanding debt and lower interest rates. Positive cash flow from continuing operations, plus asset sales from the discontinued operations, allowed debt to be reduced. This reduction, combined with the prime rate dropping from the prior year, accounts for the decrease in interest expense.

The lower revenue levels, as well as expenses not declining in proportion to revenue, resulted in reduced net income.

Total assets declined from year end. Both accounts receivables and inventory are lower due to reduced sales activity.

The company is continuing with its plan to divest its Tri-W Rental operations. Net assets of the discontinued operations have been reduced by approximately $500,000 during the first quarter through the sale and non-replacement of rental assets. In May 1992, the Company announced the closing of its Miami, Florida rental store. Assets of the Miami store will be sold or utilized in the other six stores as required. Tri-W Rental operating results have improved as equipment utilization and rental rates have increased. First quarter losses have been charged to the reserve for discontinuance established in 1990.

Capital expenditures for the balance of 1992 will be for the addition and replacement of assets as required for operations. Expenditures are projected to exceed prior year but will be below 1990 levels. The expenditures will be funded with current earnings and short term debt and long term debt as appropriate. At quarter-end, $7 million of $17 million in bank lines of credit remain unused. Due to a change in ownership, one lender has decided not to renew the Company's three million dollar line of credit as of June 30, 1992. The Company expects to replace this line of credit with new or existing banks.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Nothing to report.

Item 6. Exhibits and Reports on Form 8-K.

Nothing to report.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE W. W. WILLIAMS COMPANY

DATE: May 13, 1992

BY: Thomas A. Ables, Treasurer
(Principal Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

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FORM 10Q

(Mark One)
/ X / Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended May 31, 1992.

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from ________ to ________

Commission File Number 33-36198-NY

NET/TECH INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

22-3038309
(I.R.S. Employer Identification No.)

1900 Grand Avenue, Baldwin, New York 11510
(Address of principal executive offices) (Zip Code)

Registrant's phone number, including area code: **(516)546-1234**

(Former name, former address and former fiscal year, if changed since last report).

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / X / No / /

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of May 31, 1992, 4,546,610 shares of $0.01 par value common stock were outstanding.

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NET/TECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

ASSETS

	May 31, 1992 (Unaudited)	November 30 1991 (Audited)
Current Assets		
Cash	$464,574	$67,839
Prepaid expenses	4,938	413
Due from related company	13,692	0
Total current assets	483,204	68,252
Fixed Assets		
Furniture and equipment	32,749	17,171
Leasehold improvements	7,523	315
	40,272	17,486
Less: Accumulated depreciation	7,903	3,818
Net fixed assets	32,369	13,668
Other Assets		
Security Deposits	2,733	1,600
Deferred public offering costs	0	84,496
Patent application costs	43,127	33,949
Trademark costs	883	883
Organization costs	700	800
(net of accumulated amortization)		
Total other assets	47,444	121,728
TOTAL ASSETS	$563,017	$203,648

See the accompanying notes to the financial statements.

NET/TECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	May 31, 1992 (Unaudited)	November 30 1991 (Audited)
Current Liabilities		
Due to related company	$8,428	$104,336
Accrued expenses and interest	4,593	65,491
Accounts Payable	22,288	0
Convertible Loans Payable (Note 3)	0	130,000
Total current liabilites	35,309	299,827
Stockholders Equity		
Common Stock (7,500,000 $.01 par value common shares authorized; 4,397,500 at November 30, 1991 issued and outstanding ; 4,602,400 at May 31 1992 issued and outstanding)	46,024	43,975
Additional paid-in capital	1,086,792	158,400
Deficit accumulated during the development stage	(605,109)	(298,554)
Total Stockholders' Equity	527,707	(96,179)
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY (DEFICIT)	$563,017	$203,648

See the accompanying notes to the financial statements.

NET/TECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF CASH FLOWS

	Six Months Ended	
	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)
Cash flows from operating activites:		
Net loss	($306,555)	($39,659)
Adjustments to reconcile net loss to cash used in operations:		
Depreciation and amortization	4,186	1,127
Change in prepaid expenses	(4,525)	0
Change in security deposit	(1,133)	0
Change in accrued expenses	(60,898)	5,706
Change in accounts payable	22,288	0
Total adjustments	(40,082)	6,833
Net cash used in operating activites	(346,637)	(32,826)
Cash flow from investing activities:		
Purchase of fixed assets	(22,786)	(500)
Patent application costs	(9,178)	(10,132)
Trademark costs	0	0
Net cash used in investing activities	(31,964)	(10,632)
Cash flow from financing activities:		
Loans to affiliates	(13,692)	0
Repayment of loans from affiliates	0	13,663
Borrowings from parent	(95,900)	25,074
Proceeds from debt	0	0
Deferred public offering costs	(158,817)	0
Issuance of common stock	1,173,753	0
Conversion of loans payable to common stock	(130,000)	45,000
Net cash provided by financing activities	775,336	83,737
Net increase (decrease) in cash	396,735	40,279
Net cash - beginning of period	67,839	1,341
Net cash - ending of period	464,574	41,620

See the accompanying notes to financial statements.

NET/TECH INTERNATIONAL, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF LOSS

	Three Months Ended		Year to date	
	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)
Interest income	$4,373	$0	$5,769	$0
Costs and expenses:				
Research & development expenses	40,053	12,322	75,889	23,065
General and administrative expenses	108,175	7,565	210,647	10,467
Depreciation and amortization	3,910	572	5,680	1,127
Legal and professional fees	13,666	0	20,018	5,000
Total costs and expenses	165,804	20,459	312,234	39,659
Net loss before other expenses	(161,431)	(20,459)	(306,465)	(39,659)
Interest expense	0	0	0	0
Corporate Taxes	89	0	89	0
Net loss	($161,520)	($20,459)	($306,555)	($39,659)
Net loss per share	(0.035)	(0.005)	(0.067)	(0.009)
Number of shares used in computation	4,602,400	4,397,500	4,602,400	4,397,500

See the accompanying notes to the financial statements.

NET/TECH INTERNATIONAL, INC.
(A Development Stage Company)

Notes to Financial Statements
May 31, 1992
(Unaudited)

NOTE 1 - FINANCIAL STATEMENTS

The Balance Sheet as of May 31, 1992, the Statement of Operations for the three months and 6 months ended May 31, 1992 and the Statement of Cash Flows for the 6 months ended May 31, 1992 have been prepared by the Company, without audit. In the opinion of Management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows at May 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's November 30, 1991 annual report to Shareholders. The results of operations for the period ended May 31, 1992 are not necessarily indicative of the operating results for the full year.

NOTE 2 - CONVERTIBLE LOAN

In May and June, 1991 the Company entered into convertible loan agreements, totalling $130,000, with nine individuals. Each agreement stipulates that the individual would have the choice of being repaid with interest at two percent over prime or converting the loan into (restricted) Common Stock and Warrants at one-third the price established in the Company's planned Initial Public Offering. As of April, 1992 all participants have converted their loan values into (restricted) Common Stock and Warrants.

NOTE 3 - PURCHASE OPTION

On March 19, 1992 Net/Tech announced that the company had obtained an option to purchase 100% of the stock and all the assets of Falcon Detection Technologies, Inc., of Plymouth Rock Massachusetts.

The price paid to Falcon shareholders for the option was an option to purchase thirty thousand (30,000) shares of Net/Tech stock at $2.50 per share (subject to a two year holding period after exercise).

If Net/Tech exercises the option, purchase will be accomplished in a stock for stock transaction based on 4 times Falcon's third year pre-tax earnings. This will be paid for at the time of the acquisition with Net/Tech's stock based on the average value of the bid and ask prices of the stock for the sixty days prior to the Pay out.

At the time of the acquisition, one-half of the stock due Falcon shareholders will be escrowed to assure Falcon's earnings remain constant or increase during its fourth year of operation. In the event of a decline in earnings, a proportionate number of escrowed shares will be returned to Net/Tech.

NET/TECH INTERNATIONAL, INC.
(A Development Stage Company)

Management's Discussion and Analysis of Financial Condition and Results of Operations

Since its inception on January 10, 1990, Net/Tech International, Inc. (the Company) has invested a substantial amount of its resources into its water dispersible technology and hygiene monitoring devices and in securing patents on the same. This investment has been financed through both the private and public equity markets.

The Company will continue to incur research and development expenditures and patent costs during 1992.

Liquidity and Capital Resources

As of May 31, 1992, the Company had a working capital of $483,204.

Financial Condition

Cash at May 31, 1992 was $464,574 compared to $67,839 at November 30, 1991.

Current assets exceeded current liabilities by $447,895.

Fixed Assets at May 31, 1992 were valued at $32,369 compared to $13,668 at November 30, 1991.

Results of Operations

The Company is a development stage company and has had no revenues from operations. However, the company had revenues from interest income of $5,769 for the Year-To-Date ended May 31, 1992 vs $1,396 for the year ended November 30, 1991.

Research and development costs were $40,053 and $75,889 for the quarter and 6 months ended May 31, 1992, respectively. General and administrative expenses for the quarter ended May 31, 1992 were $108,175 and $210,647 for the Year-To-Date. General and administrative expenses have been necessary to continue support in establishing the Company, meeting reporting requirements, establishing shareholder relationships and in support of the research and development effort.

Although the Company may generate revenues in the year ending November 30, 1992, research and development expenses are expected to increase sufficiently for the Company to continue to incur an operating loss.

NET/TECH INTERNATIONAL, INC.
(A Development Stage Company)

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS:

None

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

At the Annual Meeting of the Company's Stockholders on April 27, 1992 all of the management's nominees for directors were elected.

ITEM 5 - OTHER INFORMATION:

None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

None

NET/TECH INTERNATIONAL, INC.
(A Development Stage Company)

SIGNATURES

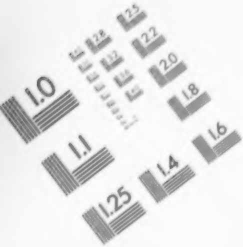
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NET/TECH INTERNATIONAL, INC.

Joseph Knauer
President

Stuart S. Abelson
Chief Financial Officer

Date: June 30, 1992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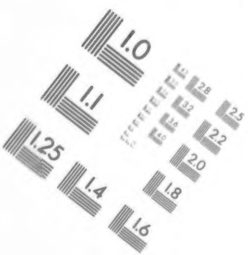
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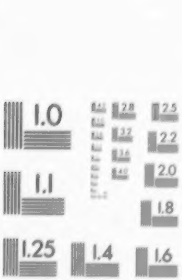
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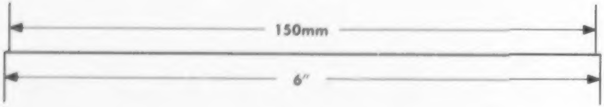

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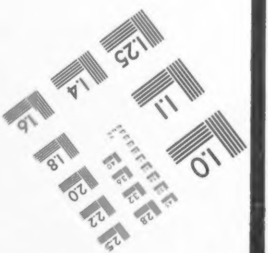
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